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THE DEPARTMENT OF STATE BULLETIN

VOL. XII, NO. 302

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"BUILDING THE PEACE"

It's Your State Department

ECONOMIC ASPECTS OF THE MEXICO CITY CONFERENCE

By H. Gerald Smith

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THE DEPARTMENT OF STATE

BULLETIN

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The Department of State BULLETIN, a weekly publication compiled and edited in the Division of Research and Publication, Office of Public Affairs, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes press releases on foreign policy issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest is included.

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The Economic Basis for Lasting Peace

Address by the SECRETARY OF STATE¹

[Released to the press April 4]

I welcome this opportunity to come to the Middle West to talk over with you some of the problems and objectives of United States foreign policy.

My father was brought up in St. Louis and began his business career in Chicago. I was born in Chicago and began my own career in business in the automobile industry.

I feel that here I am among old friends and in familiar territory. And I know also what a tremendous contribution the Middle West is making in this war. From your homes—and from your factories and farms—has gone forth a vast outpouring of men and weapons and food to help win victory on battle-fronts nearly halfway around the world from Chicago.

We are fighting this war in order that all Americans may gain the opportunity to live securely and in peace. I say *opportunity*—for victory in itself, as we all know but sometimes forget, will not be enough. Victory is the essential condition of our success, but not the assurance of it.

The foreign policy of the United States is directed toward providing that assurance—in combination with domestic policy. Our objective in all our relations with other nations is to prevent aggression abroad from again disturbing the peace of the United States and to develop those conditions of international life that will make it possible to maintain high levels of productive employment and farm income and steadily rising standards of living for all the American people.

This is a tremendous undertaking. We face difficulties and dangers whose magnitude it is hardly possible to overestimate. Idealism and good intentions will not be sufficient. Our only chance of success is to face squarely the realities and to pursue a course of action firmly based upon these realities. Without bold, realistic, and effective action it will not be possible to prevent this war from being followed by economic collapse and economic anarchy far more disastrous than the de-

pression of 1929; nor will it be possible to prevent another war from bringing bitter sorrow and suffering to every American home.

Of one reality I believe the great majority of the people of the United States are now wholly convinced, and I do not believe the people of the Middle West are any different in this matter from people in other parts of the country. After two world wars and a terrible world-wide depression, all within the space of 25 years, we are convinced that political isolationism and economic nationalism are utterly unrealistic and can only lead on to complete disaster for our country and for the world.

So our foreign policy is based upon the hard facts that if we are to prevent the disaster of another war for the United States we must find the means to act effectively with other nations to prevent aggression anywhere in the world; that we cannot have prosperity in the United States, if the rest of the world is sunk in depression and poverty.

In other words, since we live in a world where every nation has become virtually our next-door neighbor, we cannot achieve our objectives alone, but only in the close cooperation that neighbors in any American town are accustomed to practice in settling affairs that mutually concern them.

Upon these facts the United States Government has based its foreign-policy program to help achieve security and prosperity for the United States after the war is won.

The United Nations Conference at San Francisco later this month will mark a critical turning point in the history of the United States and of the world. For at San Francisco it is the purpose of the United Nations to write the Charter of a world Organization which will become strong enough to maintain peace for generations to come.

I know that many of you would like to hear

¹ Delivered before the Council on Foreign Relations at Chicago, Ill., on Apr. 4, 1945, and broadcast over the network of the Mutual Broadcasting System.

from me tonight a discussion of temporary difficulties of a political nature that have recently arisen in connection with the San Francisco conference. I regret that I shall not be able to do so, because the United States Government is at this moment engaged in very active efforts to resolve these difficulties, and there is little that I can add tonight to the statement which I made yesterday in reference to some of them.²

I do, however, want to say this much. I have full confidence that we shall be able to resolve these difficulties—and others of this nature that will inevitably arise as we approach the end of the war.

We are going right ahead with our plans for the San Francisco conference, and we are resolved to make it the success that it must be. I ask you to remember: First, that the United Nations have repeatedly overcome other difficulties and dangers far more serious in the past three years; second, that the vital national interests of the United States and of each of our Allies are bound up in maintaining and cementing in the peace our wartime partnership; third, that the extent of our agreement is far wider and more fundamental than the extent of our differences. If we keep these facts constantly in mind, we shall be able to keep our sense of proportion.

Tonight I want to speak to you about other issues that are of fundamental and long-range importance to the future well-being of the United States and to the success of the world Organization. They are issues that call for the utmost that we as a people can give to their successful resolution.

Most of the public discussion of the Dumbarton Oaks Proposals upon which the Charter of the world Organization will be based has centered upon the security aspects of the Organization—upon its power to prevent or to suppress aggression through the Security Council.

That is a vital part of the plan, but I wish to remind you that it is, in fact, only half of the task that the world Organization must accomplish if it is to be successful. At the conclusion of the Crimea Conference President Roosevelt, Marshal Stalin, and Prime Minister Churchill declared that the earliest possible establishment of the world Organization was—and I quote—"essential, both

² The statement referred to is printed on page 600 of this issue of the BULLETIN.

³ BULLETIN of Feb. 18, 1945, p. 214. Italics are the Secretary's.

to prevent aggression and to remove the political, economic, and social causes of war through the close and continuing collaboration of all peace-loving peoples".³

It is the second part of that statement to which I refer and about which I wish to speak to you particularly tonight—the removal of the political, economic, and social causes of war. That is the responsibility which will fall principally upon the Assembly and the Economic and Social Council of the Organization, rather than upon the Security Council. That is the task to which the energies of the United States and the other members of the world Organization must be principally directed now and in the years following the war.

This is so, because no machinery for combined action to prevent or suppress aggression will work for any length of time in a world in which the causes of war—particularly the economic causes—are permitted to poison relations between countries.

Economic warfare, depressions, hunger, poverty, and despair—these are the conditions that undermine democracy and block its development, that breed tyrants and aggressors, and that turn nations one against the other. These are conditions that we must fight to master if any international organization is to succeed in preserving peace.

That is another of the realities upon which our foreign policy is based.

As I have said, we face a task of extreme difficulty.

The battles of this war have left in their wake destruction of factories and homes and transport that is unparalleled in history. This damage has to be repaired.

The demands of war production have distorted the economies and the economic relationships of all nations as never before and have made necessary restrictive government controls of all sorts on normal business and agriculture. The transition from war to peace economy will challenge our patience and ingenuity to the utmost.

We and our fighting Allies alike have enormously increased our national debts, and our Allies have, in many cases, incurred heavy new international debts as well.

Add to all this the fact that when this war began we had an inheritance of years of economic warfare among nations and that we have this earlier damage, as well as the damage caused by the war, to repair. This earlier economic warfare took

many forms—restrictive government monopolies and private cartels, artificial restrictions on exchange, currency manipulation, high tariffs, quotas, and other artificial barriers to profitable foreign trade and investment.

Finally, we have to face the fact that never before in our history, even in the periods of our greatest prosperity, have we attained a volume of production, trade, and employment and a national income that came even close to what we have achieved in response to the demands of this war.

In order to achieve high levels of employment after this war—and to make sure that the men who return from the battle-fronts will have secure jobs and good wages—it is estimated that we shall have to reach and maintain a national income in the neighborhood of 150 billion dollars, compared to the highest figure we ever reached before the war—less than 85 billions in 1929. This, we hope, will provide close to 60 million jobs, year in and year out, compared to the previous peacetime peak of 47 millions in 1929.

Our problem thus adds up to this:

We know that we have the physical ability to reach the higher level of production that we must have, because we have done it in this war. We have added enormously to our productive capacity and unlike many of our Allies, our factories and farms have escaped entirely the destruction of war. But in peacetime we cannot reach this high level of production unless we can find markets abroad as well as at home for our investment and our goods and services.

We know also that much of the world will emerge from this war in desperate need of supplies and equipment from us to get their own economies going again, but that they will often not have the money to pay for what they need until they have succeeded in restoring their own productive economic life.

We know also that short-sighted economic nationalism, either on their part or on ours, would prevent any real recovery and would therefore destroy the markets we need and lead to unemployment and depression in our own country.

What we have to do is to match our need for full production with the world's need for our products in such a way as to reach and maintain over the years a permanently higher level of international trade—and to maintain it on a sound and profitable basis.

I have already stressed the difficulty of doing this. But I have seen too much of the achievements of American industry—both its management and its workers—and I have too much faith in American enterprise and initiative to think that it is impossible. On the contrary, I believe we as a nation have before us the greatest opportunity in our history to achieve in this generation the substantial fulfilment of the purposes of the American way of life.

Once in a while one of my business friends speaks to me of government planning as if it were either ridiculous or dangerous. I reply that when I was in business, planning was fundamental to successful management, and I don't suppose things have changed since. It seems to me that to assemble all the pertinent facts, analyze them, and then plan ahead on the basis of these facts is merely the most elementary common sense. If those of us who are in positions of responsibility did not plan ahead, we would be guilty of criminal negligence.

The United States Government has a well-rounded and carefully prepared program to achieve the results we seek in our foreign economic relations. We have been working actively on this program right through the war, and developing it step by step in consultation with our Allies and with the Congress and people of the United States and preparing to put it into effect. The Atlantic Charter; the United Nations Declaration; the meetings at Moscow and Tehran, at Dumbarton Oaks, and in the Crimea; the establishment of UNRRA; the conferences on food and agriculture at Hot Springs, on the International Bank and the Monetary Fund at Bretton Woods, and on international aviation here in Chicago; and the inter-American conference at Mexico City—these have all been steps in the development of this program.⁴

It is a program that is aimed at expansion, not restriction. It is rooted in the American traditions of freedom and enterprise.

You already know a good deal about this program, but you may not all have seen how each part was related to the other and to the whole, nor how closely linked this program is to steady jobs and better pay and higher farm income in this country and to the assurance that your sons and mine will not have to fight another and greater war 25 years from now.

⁴ *Toward the Peace—Documents.* Department of State publication 2288.

We begin with UNRRA, which is an emergency and temporary agency created to assist in meeting the urgent needs of relief in liberated countries. It is already functioning.

The UNRRA program is a modest one. Probably four fifths of the relief job will be done by the liberated countries themselves.

The purpose of UNRRA is to help the liberated peoples get enough food to eat, clothes to wear, and a roof over their heads—relief which will make it possible for them to start earning a living again. It will not, however, meet the enormous problems of reconstruction—the rebuilding of destroyed or damaged factories and homes, the provision of raw materials and industrial machinery, and the supplies required for the restoration of agricultural production.

I should like at this point to state again what the President and other officials of the Government have often stated before.

It has never been intended to use lend-lease for post-war reconstruction or for any other purposes except those concerned with fighting and winning the war. And these are the only purposes for which lend-lease has been used. Lend-lease is solely a war measure.

I make this statement because of the repeated distortions and misstatements that continue to be made on this subject. The core of our whole post-war foreign economic program is the expansion of private trade and the encouragement of private enterprise, with such assistance as is required from the Government to maintain high levels of production and employment.

We are resolved that the terms of the lend-lease settlement shall not be such as to endanger this program by placing unnecessary and restrictive burdens upon our commerce with other countries. We do not want war debts to smother trade this time as they did after the last war, and to poison relations between countries.

On the contrary, article VII of the lend-lease agreements with our principal Allies in this war provides that the terms of the settlement shall be such as to expand production, employment, the exchange and consumption of goods, to eliminate all forms of discriminatory treatment in international commerce and to reduce tariffs and other trade barriers.

To meet the urgent needs of reconstruction, many of the countries which have suffered from the war

will be able to buy a part of what they need out of their current resources. But the dollars and the gold that they now have or can acquire through their exports in the immediate future will be wholly inadequate to the dimensions of the task.

It is clearly evident that international credits in large volume and at reasonable rates of interest will be necessary to tide them over the next few years. It is also clearly evident that private investment cannot do a job of this magnitude unaided by the Government, especially in the unsettled conditions that will follow the war.

To help meet this and related needs—the plan for an International Bank for Reconstruction and Development and an International Monetary Fund was agreed to by the United Nations Delegates at the Bretton Woods conference and is now before Congress for approval.

The principal purpose of the Bank is to guarantee loans made by private investors for sound foreign projects of reconstruction and development and thus to extend the scope of private international investment.

Without the Bank I do not believe it will be possible to bring about the economic recovery of some of our best potential customers abroad and the development of the resources of other countries which can also buy products from us in large quantities if they have the money. China and many of the American republics are outstanding examples of countries in this latter category.

This is an important point which is often overlooked or misunderstood. Sound industrial and agricultural development abroad does not take customers away from us. On the contrary, past experience has proved time and again that the countries which buy the most from us are those whose economies are the most highly developed. Great Britain, for example, was our best pre-war customer. Canada, with a population of less than 12,000,000, bought more from us before the war than all of South America, with a population of almost 90,000,000.

Economically undeveloped countries are not good customers because they do not have enough income to pay for purchases from us. Therefore the influence of the Bank in advancing industrial and agricultural development in such countries will be of direct advantage to our export trade. The more wealth they produce and the higher

their national income, the more they will wish to buy from us and be able to pay for.

The essence of the plan for the International Monetary Fund, which your fellow townsmen, Mr. Edward Brown, had a part in drafting, is an agreement on rules governing foreign exchange which will provide some assurance to international traders and investors of the value of the money they are dealing with and to exporters that they will get paid for their exports in their own money and not in some blocked foreign currency they cannot use.

The proposed Fund will not provide loans for reconstruction. But the substantial stabilization of the world's currencies which it will make possible when it goes into effect will be essential to sustaining a high volume of international investment and trade.

As a supplement to the International Bank and to private capital in the tremendous task of restoring peacetime production and trade in a world exhausted and bled white by war, we plan also to ask Congress in the near future to expand the lending authority of the Export-Import Bank. This Government institution has a ten-year record of profitable operations.⁵ It operates principally through private banks, manufacturers, and exporters. Its capital is already largely utilized. It will have to have substantially increased capital to help meet the urgent needs for economic reconstruction and for rebuilding trade. And obviously if lending by private investors or the Export-Import Bank, or by private investors with the guaranty of the International Bank, is actually to take place, Congress must remove the restrictions of the Johnson act and similar legislation.

Thus we have UNRRA and other emergency relief measures, which prepare the way for the tremendous tasks of reconstruction.

We have the International Bank and other financial measures to make possible the financing of this economic reconstruction and of further economic development in the immediate post-war years. And we have the Monetary Fund providing for stabilization of currencies on a basis of gold and for ending economic warfare in the form of currency manipulation and exchange restrictions.

These are the foundations for building up the extensive and profitable international trade which is essential to high levels of production and employment in the United States.

Last year our wartime exports were valued at more than 14 billion dollars. Our greatest previous volume of peacetime exports was scarcely more than one third of that figure. I do not suggest that it will be possible, or that it will be necessarily desirable, to export 14 billion dollars' worth of products a year in peacetime. But specialists in this field do estimate that it will be necessary to approach the figure of 10 billion dollars a year if we are to maintain our production and employment at the levels we seek.

Only the most vigorous measures to remove artificial barriers to trade will make it possible for us to reach this goal after the war. We have, first of all, to remove wartime restrictions as rapidly as the paramount requirements of defeating Japan, as well as Germany, will permit.

We have also to work toward a general lowering of the tariff barriers which prevailed before the war.

I hear it often said that high tariffs protect the American living standard. If there are any tariffs that really do that, I favor maintaining them. I also believe in looking at the record in these matters. What does the record show?

It shows that, actually, high tariffs today act as a depressing influence upon the living standard of the American people. The record shows that on the average the wages paid by the highly protected industries are lower than the wages paid by those industries which have little tariff protection or none at all. Our most efficient industries pay the highest wages and need no tariff protection.

The record also shows that consumers—and every American is a consumer—have to pay more for products manufactured by highly protected industries than they would if more of these products were imported. This means they have that much less money to spend for other products they would like to buy.

In thinking of tariffs, we have also to bear this in mind: Our exports are the imports of other countries just as our imports are their exports. If we impose unfair tariff barriers that prevent Americans from buying from other countries products they would like to buy if they could, then we invite retaliation by these countries against our exports of products that we would like to sell to them.

* BULLETIN of Dec. 3, 1944, p. 663.

It was this sort of competition in tariffs that strangled trade, restricted production, and stimulated economic warfare before the war. We cannot afford to let it happen again.

We do not need to fear imports. On the contrary we need imports of many commodities in order to live, because we do not produce them ourselves. We need more imports to replace some of our own raw-material resources that we have consumed in such tremendous quantities in fighting this war. More imports mean not only more goods for American consumers, but more jobs and income for Americans engaged in the processing and distribution of imports. Finally, without more imports other countries will not be able to pay us for the increased exports that we seek.

For every reason of our own national interest it is my firm conviction that tariffs must be further lowered in the next few years, both by other countries and by ourselves.

In the last five years before the war we sought through the reciprocal trade-agreements program initiated by my great predecessor, Cordell Hull, to repair some of the damage done to our economy by the Hawley-Smoot tariff bill. We made considerable progress in spite of the economic warfare which Germany and Japan were then pursuing and the generally unfavorable conditions which prevailed. Recognizing its efficacy, Congress has three times renewed the Trade Agreements Act since it was first passed.

Now it is necessary to move further. The act is again before Congress for extension.⁶ As it stands it authorizes reductions in our tariffs up to 50 percent of the excessively high rates in effect in 1934. A good part of this authorization has been used up in the negotiation of the 28 trade agreements now in effect.

We need more bargaining power in persuading other countries to reduce their tariffs against our exports. We have therefore asked Congress to authorize an amendment which will apply the 50-percent limit to the tariff rates as they stood in 1945 instead of the higher rates of 1934. This will give us a new *quid pro quo* in negotiating new agreements with other countries.

In addition to restrictive tariffs, there are other obstacles to wider trade and an expanding economy for the United States and the rest of the world. Preferences and quotas, for example, are

artificial restrictions on trade between nations, and export subsidies encourage uneconomic production, upset the world market, and invite retaliation. In agreement with other countries we must seek the means by which we can substitute for these practices other measures better calculated to maintain a healthy and expanding international trade.

We must also deal vigorously and effectively with international cartels. These restrictive and monopolistic agreements among private business interests fix prices, limit production, prevent the use of new inventions and productive techniques, arbitrarily divide markets, and have in general a dangerous and throttling effect upon international trade. The evil effects of international cartels can be prevented only by supplementing national by international action against them and by taking the other measures which I have outlined to insure that all nations will be able to live better without such practices than with them.

Some of our most serious economic problems arise out of chronic world-wide surpluses of such commodities as wheat and cotton. You in Chicago remember what happened to wheat farmers in this country after the last war when the bottom dropped out of the market for wheat and tens of thousands of farmers lost their homes and their livelihood. We do not want to see a repetition of that.

It is important that governments act together to deal with the problem of such surpluses primarily by cooperative measures to expand consumption, such as I have outlined tonight. In the exceptional cases where commodity agreements are necessary, they should be directed toward shifting excess productive resources into more profitable lines, and both consuming and producing countries should be fully represented. Otherwise individual governments will continue trying to deal with them by such deceptively easy routes as artificially supported prices and competing export subsidies. As we have learned from bitter experience, these can only lead to economic warfare and in the end make the problem worse instead of better for all concerned.

These problems and others like them can be faced and handled in time only by calling a conference of the principal trading nations of the world. We shall do all in our power to have such a conference convened within the next year. This conference would also prepare the way for estab-

⁶ BULLETIN of Apr. 1, 1945, p. 531.

lishment of a permanent trade organization within the framework of the world Organization, to deal with these problems on a continuing basis.

In the field of food and agriculture, we are further advanced. The President last week asked Congress to approve United States participation in the United Nations Food and Agriculture Organization.⁷ This Organization results from the conference at Hot Springs in 1943. Eighteen nations have already ratified the agreement for membership. We should do so too.

The Food and Agriculture Organization will have powers of recommendation only, not of control or command, but I believe with the President that its work can do much to raise the standards of nutrition of all peoples and to establish and maintain expanding prosperity for agriculture in our country and in all countries.

The food organization, like the other post-war international agencies to which I have referred this evening, would all eventually come within the framework of the world Organization when it is established.

I think you will agree that the program upon which we have begun is of great scope. It must be so if we are to deal successfully with problems and difficulties of equal magnitude.

The close cooperation of the United Nations in a program for economic reconstruction and expansion such as I have outlined to you tonight is fundamental to the success of the world Organization. Without it the world will be able neither to recover from the effects of this war nor to prevent the next war.

There are many pitfalls ahead of us. So closely is each part of the program interlocked with the other parts that if we fail to carry through on any important sector of this peace front, the whole program and our over-all objectives will be placed in gravest jeopardy.

If we fail we are not likely to get another chance to fulfil the purposes for which we have fought—the assurance of a secure peace and a decent life for all Americans.

The task will require the utmost of us as a people in clear thinking, in understanding of where our real interests lie, and in the ability to act courageously and wisely—and in time.

I return to the point at which I began. The preservation of peace requires something more than a desire for peace, no matter how strong that

desire may be. It requires, in a world as complicated and as closely interknit as this modern world of ours, a great design. It requires, in other words, the same courage, the same boldness and realism in the field of international affairs which the citizens of this Republic, and of this great central valley, have so often demonstrated in the past.

If we Americans are proud of one thing more than of any other, we are proud of the fact that our forefathers were willing to face tremendous and complicated problems and to bring to them new and daring solutions. And there are no Americans who take more pride in that tradition, than the Americans of these great central states.

Believing in America as I do, I am confident that we will meet this greatest crisis of our modern history as we have met all the crises of our history before. I believe that we will act with understanding of where our real interests lie—wisely and courageously and in time—and that we will force the difficult circumstances of our time to yield up to us the sure and enduring peace which we are determined to leave to those who will follow us in this country we love so well.

Message of Tribute From President Roosevelt to President Beneš of Czechoslovakia

[Released to the press April 6]

It is a source of great personal satisfaction to me to see your untiring efforts for the liberation of Czechoslovakia crowned by your return to its own soil.

I know what joy your homecoming must mean both to you and to every other patriotic Czechoslovak because it marks the restoration of your country to the dignity of independence and freedom from foreign oppression.

Your homecoming also symbolizes to all Americans the turning of the whole world from the years of conquest and strife to an era of justice and cooperation in a community of free nations dedicated to those same principles of democratic integrity which are so characteristic of Czechoslovakia itself.

⁷ BULLETIN of Apr. 1, 1945, p. 536.

Representation in the Assembly of the Proposed United Nations Organization

Statement by the SECRETARY OF STATE

[Released to the press April 8]

At a press conference on Friday, March 30, correspondents submitted to the Department of State for consideration a number of questions relating to representation in the General Assembly of the proposed United Nations Organization, a matter that was discussed at the Crimea Conference.

The inquiries submitted related to various aspects of several principal questions: Whether unpublished agreements had been made at Yalta; why the American representatives at Yalta agreed to support the Soviet proposals for initial membership of two Soviet Republics in the proposed International Organization;¹ whether it was agreed that the two Soviet Republics would have separate representatives at the San Francisco conference; why the agreements with reference to the proposal for initial membership of two Soviet Republics had not been announced; and whether the agreements on the subject of representation in the General Assembly affected the principle of sovereign equality of peace-loving nations expressed in the Dumbarton Oaks Proposals.

I wish to make the following statement in response to these questions:

Both military and political questions were covered at the Crimea Conference. The military plans agreed to at Yalta and related matters connected with the defeat of the common enemy can be made known only as they are carried out.

Among the other matters dealt with at the Crimea Conference were several open questions left over from the Dumbarton Oaks Conversations: The voting procedure in the Security Council; invitations to the United Nations Conference on International Organization; the time and place of the Conference; initial membership in the International Organization; and the possible addition to the Dumbarton Oaks Proposals of provisions relating to territorial trusteeship.

The decisions taken at Yalta with reference to the time and place of the United Nations Con-

ference were made public in the communiqué issued at the close of the Crimea Conference. The voting procedure in the Security Council was not announced until after consultations on this subject with the Government of the Republic of China and the Provisional Government of the French Republic. Following these consultations, the voting procedure together with the text of the invitation and the list of nations to be invited to the San Francisco conference were made public on March 5, approximately a month after the close of the Crimea Conference.²

The only other decisions reached at Yalta and not made public in the Crimea Conference communiqué related to initial membership in the International Organization when it meets, and to territorial trusteeship.

The Soviet representatives at Yalta proposed that the White Russian and the Ukrainian Republics be initial members of the proposed International Organization. This was a question for the United Nations assembled at San Francisco to consider and decide.

In view of the importance which the Soviet Government attached to this proposal, the American representatives at Yalta, having the utmost respect for the heroic part played by the people of these Republics in their unyielding resistance to the common enemy and the fortitude with which they have borne great suffering in the prosecution of the war, agreed that the Government of the United States would support such a Soviet proposal at San Francisco if made. No agreement was, however, made at Yalta on the question of the participation of these republics in the San Francisco conference.

In the circumstances, the American representatives at Yalta believed that it was their duty to reserve the possibility of the United States having three votes in the General Assembly. The Soviet and British representatives stated their willingness to support a proposal, if the United States should make it, to accord three votes in the As-

¹ BULLETIN of Apr. 1, 1945, p. 530.

² BULLETIN of Mar. 11, 1945, p. 394.

sembly to the United States. The President has decided that at the San Francisco conference the United States will not request additional votes for the Government of the United States in the General Assembly.

Announcement of these proposals was made first to the United States Delegation to the San Francisco conference. In order to correct the impression conveyed by partial publication of the facts, public announcement was made prior to a final determination of the course to be followed by the Delegation with regard to possible additional representation for the United States.

As to territorial trusteeship, it appeared desirable that the Governments represented at Yalta, in consultation with the Chinese Government and the French Provisional Government, should endeavor to formulate proposals for submission to the San Francisco conference for a trusteeship structure as a part of the general Organization. This trusteeship structure, it was felt, should be designed to permit the placing under it of the territories mandated after the last war, and such territories taken from the enemy in this war as might be agreed upon at a later date, and also such other territories as might voluntarily be placed under trusteeship. No discussion was had at Yalta or is contemplated prior to, or at, San Francisco regarding specific territories.

The basis of the San Francisco conference remains the Dumbarton Oaks Proposals. It is for the conference to decide whether any proposal affecting voting in the General Assembly of the proposed United Nations Organization impairs the principle of sovereign equality, just as the conference itself must determine the application and interpretation of any general principles enunciated in the Dumbarton Oaks Proposals.

In other words, the San Francisco conference will doubtless vote on many proposals for the detailed setting up of the United Nations Organization, and there is no way of knowing what the proposals will be. The final organization will be passed on by the United Nations in accordance with their customary procedures, and it is hoped and believed that the result will be so clear that this great effort to eliminate future wars will receive practically unanimous approval.

¹ BULLETIN of Jan. 28, 1945, p. 128.

Results of Economic Negotiations With Switzerland

Lauchlin Currie, Administrative Assistant to the President, returned to this country on March 17 from Switzerland and has reported on the results of the joint American-British-French economic negotiations with the Swiss Government. Mr. Currie was head of the American Delegation participating in the negotiations.¹

Mr. Currie reported on the steps taken by Switzerland to meet the objectives of Bretton Woods Resolution no. VI with respect to preventing the flight of Axis capital and the secretion of Axis assets and looted property. The Swiss Government has frozen all German assets in Switzerland, including those held through Swiss nationals, prohibited the importation, exportation, and dealing in all foreign currencies, and restricted Swiss purchases of gold from Germany. In addition, the Swiss Government has agreed to take appropriate steps in the future toward further implementation of Bretton Woods Resolution no. VI.

Another important objective obtained by the negotiations, Mr. Currie reported, has been the complete stoppage of shipments of coal from Germany to northern Italy across Switzerland. Swiss exports to Germany are to be reduced in value to a small fraction of their former amount. Switzerland has also banned electricity exports to Germany, and the French and Swiss Governments are to study the possibility of a substantial amount of Swiss electricity's being diverted to France. In addition, Switzerland has concluded a clearing arrangement with France whereby France will be permitted to import more from Switzerland than she exports to Switzerland.

In return for the measures agreed to by the Swiss, the American, British, and French Governments have agreed to allow the importation into Switzerland of various quantities of food-stuffs and industrial raw materials. It has been agreed that the foodstuffs and the raw materials will be carried by Swiss ships and moved to Switzerland across France by Swiss trains.

United States Telecommunications Facilities

Statement by ASSISTANT SECRETARY CLAYTON¹

THE QUESTION before this Committee is how the national security and the general welfare of the American people can best be served in the field of international telecommunications.

It has been suggested that a complete merger of all our international telecommunications facilities into a single private company, under Government supervision and regulation, is the best and indeed the only way consistent with the national interest to solve the problems with which this industry is confronted. Broadcasting is not sought to be included, and there are certain other relatively minor exclusions which do not materially affect the issues; so that when I refer to complete merger it will be understood that I take for granted these exclusions.

In considering this proposal and the alternatives that have been suggested, the Department of State has been guided by the conviction that if there is any one lesson of modern times, it is that technological and industrial leadership are indispensable ingredients of national power. The importance of such leadership is certain to increase rather than diminish.

We have this leadership in the vitally important field of long-distance telecommunications. We should not jeopardize it. We must strive by all means to maintain and extend it.

But we have other objectives in this field, and we must undertake to secure them too—provided only that we do not imperil our technological and industrial preeminence, which is all-important and without which no other advantage can avail us long. Our telecommunications services must be world-wide. They must afford us direct contact with foreign terminals. They must be securely American. They should be capable of serving military needs with maximum efficiency in time of war. They should permit the ready acquisition and efficient use of the far-flung facilities that have been built up by the military during the war, to the extent that such facilities may become available for peacetime commercial use. They should

be capable of dealing adequately with foreign interests. They should make such use of available frequencies as to give the best over-all service. Rates should be as low as is consistent with good service and a fair wage for capital and labor.

These objectives, I am sure, merely recapitulate what we all agree on. The question is how best to attain them. In the view of the State Department a complete merger into one company of our international telecommunications facilities, on the basis of our experience to date and the evidence at hand, is inadvisable. The Department is strongly of the opinion that no showing has yet been made that merger among competing companies is the means best calculated to protect our national security and promote the general welfare of our people.

It is surely not too much to say that the burden of proof must be on those who would substitute monopoly for our traditional competitive system in any field, especially in a field where we have risen to preeminence under conditions of the keenest competition among our own enterprises.

Monopolies have the power to withhold improvements in service and the application of advances in the art. The Department believes that the best progress can be made by regulated competition, and that the regulation and the competition are both indispensable and complement each other.

There is nothing in the history of monopoly in any field to suggest that it is the best means to retain and extend a competitive leadership that is based on enterprise and initiative.

There is another consideration of great importance. Any merger is easier to put together than it is to take apart. It can hardly be denied that if the proposed complete unification were undertaken and proved unsatisfactory, it would, as a practical matter and in spite of the undoubted power of the Congress, prove exceedingly difficult to unscramble. The Department believes that it is possible to minimize most of the evils complained of under present conditions without taking decisions which may prove unwise and from which we may be unable to withdraw.

¹ Made before the Senate Committee on Interstate Commerce on Apr. 2, 1945 (short form of statement).

The Department does not believe that foreign competition is sufficient to prevent the evils of monopoly, because, except for a few cables, this competition does not touch the service to the American public. Aside from the comparatively few cases where an American interest owns or controls the foreign terminus, the operation of a radiotelegraph or telephone circuit is American at one end and foreign at the other. The American public now enjoys the competition between competing American interests at this end, although important foreign termini are operated by foreign interests. The only exception is where the volume of traffic is insufficient to justify the Federal Communications Commission in allocating frequencies to more than one American radiotelegraph company. But even in such cases the competition between radiotelegraph and telephone and, depending on the location, with cable still exists.

Thus, if there were an American monopoly, the only competition with foreign interests would be a competition not in service but in getting advantages in third countries, in most cases countries that are not in a position to build and operate their own facilities.

The evil in the present situation that is perhaps alluded to the most is the way in which it is said to be possible for foreign interests to play competing United States interests against each other. I believe that by far the greater number of cases of this sort have involved competition between American companies rendering the same service, and therefore at most would call for merging the competing companies rendering such service, so that the telephone, radiotelegraphy, and wire services could continue to compete against each other.

The argument of economy in the use of the spectrum is also advanced as demanding complete unification. There are two questions here which the State Department would like to raise.

First, whether it is wise to undertake a drastic reorganization, one that once accomplished will be very hard to alter, in perhaps the most rapidly developing of all industries, on the basis of an existing technological situation. While I am, of course, not qualified to predict that increases in the utilization of frequencies are or are not impending, I suppose that no one will hazard the assertion that we are at the end of the road in this development.

The second question is: Granting the scarcity of frequencies and the necessity of greater economy

in their use, is merger necessary to achieve such economy? Lacking the impetus of competition, a monopoly might well be content to get along without devoting the energy to improving the use of frequencies that the competing companies are now showing.

In view of all these considerations, the question may well be asked: Would it not be common sense to insist upon the test of actual experience with more moderate measures before taking in one leap the drastic step of merger of all our international telecommunications into one company?

Specifically, the Department suggests that in both these problems, that is, dealing with foreign interests and the technical problems involved in the efficient utilization of frequencies and coordination of radio and cable services, the remedy lies in unified control of policy at the Government level, rather than in unifying competitive operations. It is accordingly suggested that the Congress consider the desirability of projecting into peacetime in some appropriate manner the functions now exercised by the Special Interdepartmental Committee on Communications, and the planning functions but not the wartime powers of the Board of War Communications.

Better coordination of government policy in this field should be the first objective, and the point of view of the armed services should be brought into the formulation and control of policy. Adequate powers should be appropriately placed so as to enable this Government to protect and promote its legitimate interests. These powers should include, among other things, the power to determine from time to time with what foreign points it is in the national interest to have telecommunication services, what the nature of the service should be, and what companies should perform it. All the facilities of the State Department could thus be most effectively put to the service of the carriers designated.

The Department does not believe that a merger of existing carriers would necessarily forward the objectives of having world-wide telecommunications services with direct contact with foreign terminals.

Nor is the Department convinced that such a merger is necessary in order to enable the armed services satisfactorily to dispose of any part of the world-wide facilities that they have built up during the war. It has been said that it would be an embarrassment to have to choose between com-

peting bidders. Surely if competition is worth preserving this is hardly a sufficient reason to give it up. It has not been claimed that there are not presently existing United States enterprises that are fully capable of operating efficiently any facilities that are made available for commercial use.

In short, Mr. Chairman, keeping in mind that our most valuable asset from every point of view is our leadership in the art and its application in operations and manufacturing, it is the view of the Department of State that we should take a long look before we give up this competitive form of organization, which is characteristically American, in favor of a form of organization that has never distinguished itself for encouraging initiative and enterprise. It is by no means clear to the Department from the evidence so far produced that the evils complained of are either as great or as dangerous to the national interest as they are claimed to be, or that they cannot be adequately dealt with by means more likely to preserve the advantages we now enjoy.

In the view of the Department, the farthest that we should consider going at the present time (and in our belief the advisability of doing this is still an open question) is merger within each type of service that would retain competition between the wire services, radiotelegraphy, and radiotelephone. The Department would seriously question the effect on the telephone service of permitting it to be operated by a company that is also rendering other and competing types of service. When we have the best telephone service in the world it seems to me that it is a decidedly unattractive risk to put it into a common pot with the other services—and organizing them in separate divisions, or even separate operating companies under one holding company, does not to my mind make the risk sufficiently attractive.

The Department is of the opinion that no arrangements in international telecommunications should be undertaken which might have a tendency to hold back the development of radio, either for overseas or for domestic uses. This means keeping wire services, both cables and land lines, separated from radio. Such a conclusion leaves open the question whether domestic and international services should be kept separate. At least until the end of the war, domestic radiotelegraph must remain closed down. But this would not prevent the unification of cables and overseas radio in separate competing services and the continuation of

the present arrangement whereby the international business picked up by the domestic telegraph company is equitably divided when it leaves our shores.

There is a special situation in the Pacific because of the limitations of the existing cable, and there would appear to be much force to the view that there should be not less than two radio services competing in that area. This is one of the considerations that leads the Department to feel considerable reserve toward the proposal for merger even within the different services and trying to retain competition between them.

The Department also considers that the press services are a special situation because of the public interest in the receipt and dissemination of news. If all U.S. telecommunications facilities for the international transmission of news were in the hands of any one company, the freedom of the press might be jeopardized.

There is in existence one company devoted exclusively to the press service, namely Press Wireless, Inc. Its record seems to indicate the advantage of a high degree of specialization in this field and to point to the desirability of leaving Press Wireless out of any merger that might be attempted.

Aside from the special cases, it seems at least possible that a merged radio company, performing its own pick-up and delivery service, and a merged cable company might operate to the public benefit. The power of the Congress to cause an equitable distribution between competing international carriers of international traffic originated by the land-wire company might well lend an element of flexibility especially if it should appear that the radio company was temporarily or permanently prevented by lack of frequencies for domestic use from originating a sufficient volume of traffic. If a domestic radio system should develop, the public would be the gainer. If not, the benefits of competition in the international service would be preserved. If either the cables or the land-wire system, or both, should prove unable to compete with radio, it would then be open to the Congress to determine whether or not they should be subsidized, and how; and, in any event, the development of both radio and wire-cable separately would not have been inhibited in the interval.

In conclusion, therefore, the Department of State is not able at this time to join in the recommendation for a complete or partial merger in our

(Continued on page 649)

United Nations Will Write Charter for a World Organization

Address by the SECRETARY OF STATE¹

[Released to the press April 6]

In speaking here in New York this afternoon at the dedication of the building which is henceforth to be the headquarters of the Council on Foreign Relations, I come to bear witness, as has every Secretary of State during the past quarter of a century, to the great services and influence of this organization in spreading knowledge and understanding of the issues of United States foreign policy.

Certainly today—after two world wars in 25 years—there can be few Americans, whether they live in the East or the West or the South, who do not understand how directly and personally they are concerned in our relations with other nations.

Ever since Pearl Harbor the hopes and thoughts of the people of this country have been centered increasingly upon creating at last a world organization which would be endowed with the power and the will this time truly to maintain the peace.

And ever since Pearl Harbor intensive studies and preparatory discussions of such an organization have been carried on by this Government—and by other governments. There were many plans and a multitude of variations in viewpoint which had to be weighed and analyzed and adjusted. This process took two years and a half.

By last summer we were ready for discussions with our principal Allies—the Soviet Union, Great Britain, and China. Out of these discussions, and all the preliminary work that had gone before, evolved the Dumbarton Oaks Proposals.

Since last October these Proposals have been before the peoples and the governments of all the United Nations for further discussion and analysis.

Now—seven months later—all the United Nations are about to meet in San Francisco to write the Charter of a world Organization on the basis of these Proposals.

I have briefly reviewed this bit of history for a reason.

It has taken three and a half years of the most prodigious and single-minded effort the world has ever seen to bring the fighting forces of the United

Nations into the heart of Germany and close to the home islands of Japan.

We can be sure that winning the peace is going to take a good deal longer and that it will be just as difficult and challenging a task.

Early in the war, when the United States and the other United Nations were in mortal danger from our enemies, we were steady and resolute and we found the means to develop and strengthen that unity of action without which we could not win victory. This is, perhaps, more difficult, now that the immediate danger has passed.

But the danger has not really passed—the danger that we shall fail in rebuilding the world and in preventing what would be the greatest and perhaps the fatal disaster of our history—another world war.

What is required above everything else today is the same steadiness and fixed resolution and clear understanding of our national interest with which we met the tests of war in 1942 and 1943 and 1944. Certainly we shall never succeed if every road-block or every land-mine on the road to peace throws us into a panic and, conversely, if every hundred yards of clear going makes us think we have nothing more to worry about.

It is with this point in mind that I wish to talk briefly with you about the San Francisco conference and about some of the forebodings and difficulties that have arisen concerning it.

First of all, let us keep the San Francisco conference in its proper perspective. It is not a peace conference. It will not deal with boundaries or reparations or questions concerned with the disarmament and control of Germany and Japan. Its purpose is to prepare the Charter of a world Organization to preserve the peace in the future which can be submitted to the member nations for adoption.

¹ Delivered before the Council on Foreign Relations at New York, N. Y., on Apr. 6, 1945 and broadcast over the network of the Columbia Broadcasting System.

It will be a difficult task, a task as difficult as the writing of our own Constitution in 1787, for the conference at San Francisco, like the Convention in Philadelphia, will be pioneering a new way. The Charter will inevitably be the product of a series of adjustments just as our own Constitution was the product of a series of compromises between the North and the South, large States and small, the merchant interests and the agrarian interests. Without these adjustments of interest and viewpoint our Constitution could not have been written. Nor could it have been ratified by the 13 original States.

Probably no charter that can be agreed upon at San Francisco will completely meet the wishes of any one of the United Nations. What we must do there is to create a framework for the world Organization that can command the support of the great majority of the peoples of the world, that will be soundly based, and that will be open to improvement as we gain experience in the functioning of the Organization after it is established.

I am reminded again of our own Constitutional Convention. The delegates to that Convention clearly foresaw the necessity for later adjustments and amendments and made provision for them. Indeed, the first ten amendments to our Constitution went into effect only four years after it was written.

I believe that it was a wise decision, indeed an essential one, that the establishment of the world Organization should be kept entirely separate and apart from the settlements that will follow this war. It has been said that by joining in the world Organization before the peace settlements are made the United States and the other members would be committed in advance to maintaining all these settlements in perpetuity whether they are good or bad.

Just the contrary is true. By creating the world Organization first, and separating its functions from the peace settlements, we place it above and apart from these settlements and leave it just as free to deal with threats to the peace of the world that may later arise from these settlements as from any other causes. The Dumbarton Oaks Proposals, through their provisions for dealing with any situation that might endanger the peace, provide for the exercise of this responsibility by the world Organization.

For this reason, as well as for others, the rapid approach of the end of the war in Europe, far

from making postponement of the San Francisco conference advisable, makes it all the more important that the conference be held on schedule and that its work be completed at the earliest possible moment.

We have ahead of us many other tremendously difficult tasks with which the San Francisco conference will not be concerned. We shall not be able to accomplish these other tasks in a few weeks' or a few months' time. They will take years. We have to deal with the disarmament and control of Germany and Japan, after they have surrendered, with the tasks of repairing the disastrous damage done by the war to the world's economy, of assisting the liberated peoples to regain freedom and security, and of reaching the agreements on many other matters, social and economic, that are necessary to lasting peace.

Concern is expressed over the prospects of the San Francisco conference because of the delays that have arisen over establishment of a new Polish Provisional Government of National Unity, or because of the questions raised by the Soviet request for separate membership in the Assembly of the world Organization of two of the Soviet Republics, or because of any other of the difficulties with which we are inevitably surrounded as we approach the end of the war.

I can assure you that if we based our course of action on that line of reasoning we would never have a conference, or a world Organization. New problems of this nature will continue to arise. The coming months and years will be, in fact, a continuous challenge to our good sense and our will to master the difficulties of peace.

I hope that all Americans will keep such temporary difficulties as the delay over the new Polish Provisional Government of National Unity in perspective.

It is important that this new government be established in time to make it possible for Poland to be represented at San Francisco. The United States Government is doing all in its power to bring this about. Poland is a United Nation and should be there.

But I ask you to remember that the agreement made at the Crimea Conference about Poland is only seven weeks old and that it was reached after two years of divergent views among the principal Allies about the Government of Poland. The delay in carrying out the Crimea decision on Poland

has been disappointing, but in this perspective it has not been long.

I ask you also to remember that the Soviet Union, Great Britain, and the United States have repeatedly reaffirmed and always agreed in their common determination to see established a strong, independent, and democratic Poland after this war.

Nothing has happened to shake my belief that the Crimea agreement on Poland will be carried out. That agreement, you will recall, provides that the new Polish Provisional Government of National Unity shall be formed by reorganizing the provisional government now functioning in Poland "on a broader democratic basis with the inclusion of democratic leaders from Poland itself and from Poles abroad", and that this new government shall be pledged to holding free elections as soon as possible on the basis of universal suffrage and secret ballot, with all democratic and anti-Nazi parties having the right to take part.¹

Our participation in that agreement reflects the steadfast determination of the United States Government to respect the legitimate rights of small nations. No nation in the world has shown greater interest than the United States in the independence of small countries and in their right to manage their own affairs. This principle is basic in our dealings with all nations. It is basic in our policy for the peace. It is basic in the Dumbarton Oaks Proposals.

The freedom and independence of small nations cannot be maintained, however, unless the large countries unite their power to preserve a peace in which the democratic rights of all nations can be upheld.

The only hope of the small countries, as of the large countries, lies in a world so organized for peace that the industrial and military power of the large nations is used lawfully for the general welfare of all nations. The alternative is a world in anarchy in which lawless power runs riot and small nations are the first to be trampled underfoot.

The large nations, and all the United Nations, are firmly united in the purpose and in the necessity to create a new world organized for peace, because it is to the vital interest of each of them to do so. Let us never forget that this unity of purpose and this community of national interest is paramount to all the lesser differences among us in interests and in history, language, and cus-

toms. Because of that paramount unity of purpose and community of interest, these lesser differences can be and will be overcome, as they arise, through the hard and exacting day-to-day work of consultation, negotiation, and adjustment which are the essence of successful cooperation among free peoples.

Eight years ago my great predecessor, Cordell Hull, when speaking before the Council on Foreign Relations, called for "a world organized for peace and advancing civilization, rather than for war and degrading savagery."

Now, after the devastating war which he foresaw, the world has its chance. It has taken the sacrifice of millions of lives, the outpouring of our wealth, and untold destruction and suffering to bring us to this moment.

The San Francisco conference will be a decisive juncture in the history of America and of the world. But we are only at the beginning of the long road to lasting peace.

If we are to complete the journey, surely we will neither fail nor falter now, when we have hardly begun upon it.

American character and America's achievements have been fashioned by high vision and good common sense. With that power of vision to keep the goal we seek always before us, and that common sense to guide us, I know that America will not fail either the world or herself.

The Proclaimed List

[Released to the press April 8]

The Acting Secretary of State, acting in conjunction with the Acting Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Administrator of the Foreign Economic Administration, and the Director of the Office of Inter-American Affairs, on April 7 issued Cumulative Supplement No. 2 to Revision IX of the Proclaimed List of Certain Blocked Nationals.

Cumulative Supplement No. 2 to Revision IX supersedes Cumulative Supplement No. 1 dated March 9, 1945.

Part I of Cumulative Supplement No. 2 contains 59 additional listings in the other American republics and 171 deletions; part II contains 15 additional listings outside the American republics and 29 deletions.

¹ BULLETIN of Feb. 18, 1945, p. 215.

United Nations Conference on International Organization

PROMPTNESS IN PLANNING WORLD ORGANIZATION

[Released to the press April 3]

A statement by the Secretary of State at his press and radio news conference on April 3 follows:

"This Government believes that the rapid tempo of military and political developments, far from requiring postponement of the San Francisco Conference on International Organization, makes it increasingly necessary that the plans for this Organization worked out at Dumbarton Oaks be carried on promptly. We have, moreover, received no indication that any government believes that the Conference should be postponed."

ADVISERS TO THE AMERICAN DELEGATION

[Released to the press April 3]

The following people have been appointed as advisers to the American Delegation to the United Nations Conference on International Organization. They were invited to meet the American Delegation on April 3 at the Department of State:

Department of State

Mr. Dunn	Mr. Armstrong
Mr. Hackworth	Mr. Taussig
Mr. Pasvolsky	Mr. Taft
Mr. Bowman	Mr. Hickerson

Treasury Department

Mr. White

War Department

Mr. McCloy	General Fairchild
General Embick	General Hertford

Department of Justice

To be appointed

Navy Department

Mr. Gates	Admiral Willson
Admiral Hepburn	Admiral Train

Department of Interior

Mr. Fortas

Department of Agriculture

Mr. Brannan

Department of Commerce

Mr. Waring

Department of Labor

To be appointed

Foreign Economic Administration

Mr. Cox

ACCEPTANCE OF INVITATION BY JOHN FOSTER DULLES TO SERVE AS ADVISER TO THE AMERICAN DELEGATION

[Released to the press April 5]

Acting Secretary Acheson on April 5 released the following letter from John Foster Dulles to the Secretary of State, in which he accepted the invitation of the Secretary to serve as an Adviser to the American Delegation to the United Nations Conference on International Organization at San Francisco:

APRIL 4, 1945.

MY DEAR MR. SECRETARY:

You have told me that it is your desire, concurred in by the President, that I act as a general adviser to the United States Delegation to the San Francisco Conference.

As you know, I have previously stated that it was my preference to have no official status at San Francisco but rather, in a private capacity, to seek to advance the great purpose of that conference. You asked me to discuss the matter with you and after our discussion in Washington last Monday, you said that you still felt that I could best serve in an official capacity.

After reflection, I am happy to advise you that I accept with appreciation your invitation to me to be an adviser to the United States Delegation.

I am, my dear Mr. Secretary,

Sincerely yours,

JOHN FOSTER DULLES

ACCEPTANCE BY PERU AND YUGOSLAVIA OF INVITATION TO THE CONFERENCE

[Released to the press April 3]

The Republic of Peru, on March 22, 1945, and the Kingdom of Yugoslavia, on April 7,¹ formally accepted the invitation to send representatives to the United Nations Conference on International Organization at San Francisco on April 25, extended by the Government of the United States on behalf of itself and of the Governments of the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, and the Republic of China.

¹ Released to the press Apr. 7, 1945.

ANNOUNCEMENT OF VARIOUS FOREIGN DELEGATIONS¹

[Released to the press April 8]

Soviet Delegation

It was officially announced in Moscow that the Soviet Delegation would be headed by His Excellency the Soviet Ambassador to the United States, the Honorable A. A. Gromyko. Other members of the Delegation include Minister H. A. Obolev; Minister K. V. Novikov; Minister S. K. Tsarapkin; Lt. Gen. A. F. Vasiliev; Rear Admiral K. K. Rodionov; Prof. S. A. Golunski; and Prof. S. B. Krylov.

Chinese Delegation

It has been announced in Chungking that the Chinese Delegation will be headed by Dr. T. V. Soong, Acting President of the Executive Yuan. Other delegates include Carson Chang, member of the People's Political Council; Hu Lin, managing director of "Ta Kung Pao"; Dr. Hu Shih, former Ambassador to the United States; Li Huang; Tung Pi-Wu, member of the People's Political Council; Dr. V. K. Wellington Koo, Ambassador to Great Britain; Dr. Wang Chung-Hui, Secretary General of China's Supreme Defense Council; Dr. Wei Tao-ming, Chinese Ambassador to the United States; Dr. Wu Yi-Fang, member of the People's Political Council; and Dr. Sao-Ke Alfred Sze, former Ambassador to the United States.

Belgian Delegation

The Belgian Government has announced that its Delegation will be headed by Foreign Minister Paul Henri Spaak. Other members of the Delegation include Frans Van Cauwelaert; Fernand De House, Professor of International Law; Fernand Van Langenhove, Secretary General of the Ministry of Foreign Affairs; Victor De Laveleye, member of the House of Representatives; Albert Martneaux, Minister of Public Health; Henri Rollin, member of the Senate; Charles De Visscher, Minister of Justice; and Walter Loridan, Principal Assistant to the Foreign Minister.

Norwegian Delegation

The Government of Norway has announced that its Delegation will be led by Foreign Minister

Trygve Lie. Other Delegates include C. J. Hambro, President of Storting; Wilhelm Morgenstierne, Norwegian Ambassador to the United States; Dr. Arnold Raestad, Governor of the Bank of Norway; Dr. J. S. Worm-Muller, Professor of Modern History at the University of Oslo; and Dr. Arne Ordning, Political Adviser to the Foreign Office. The Delegation includes the following advisers: Maj. Gen. William Steffens, Norwegian Military Attaché at Moscow; Lars Christensen, Financial Adviser to the Norwegian Embassy at Washington; Dr. Karl Evang, Director General of the Norwegian Public Health Service; Ingveld Haugen, President of the Norwegian Seamen's Union; Lars Jorstad, Counselor of the Norwegian Embassy at Washington; and Mrs. Ase Gruda Skard, adviser to the Norwegian Embassy at Washington on Cultural and Social Matters. Hans Olav, Press Attaché of the Norwegian Embassy at Washington, and Sven N. Oftedal, Press Attaché of the Norwegian Legation, Montreal, will handle press relations for the Delegates. The secretariat includes Nils A. Jorgenson, First Secretary in the Foreign Office and Secretary of the Delegation; Edward Hambo, First Secretary in the Foreign Office; Miss Ingrid Martins, Second Secretary in the Foreign Office and Private Secretary to the Foreign Minister; and Mrs. Sissel Fosse, Second Secretary in the Foreign Office, Second Lieutenant in the Norwegian Women's Army Corps, and daughter of the Foreign Minister.

Philippine Delegation

The Philippine Delegation will be headed by Brig. Gen. Carlos P. Romulo, Resident Commissioner of the Philippine Commonwealth. Other Delegates include Maximo M. Kalaw; Prof. Vincente Cinco; Francisco Delgado; Felicisimo Feria; Carlos Garcia; Pedro Lopez; Urbano Zafra; and Col. Alejandro Melchor.

[Released to the press April 8]

Dominican Delegation

The Dominican Delegation to the United Nations Conference on International Organization at San Francisco on April 25 will be headed by Foreign Minister Peña Batlle and the other members will be Emilio García Godoy, Ambassador to the United States; Gilberto Sanchez Lustrino, editor of *La Nacion*; General Antonio Leyba y Pou; Tulio Franco y Franco; and Miss Minerva Ber-

¹ For members of other foreign delegations see BULLETIN of Apr. 1, 1945, p. 576.

nardino, president of Inter-American Commission of Women.

Ethiopian Delegation

Prime Minister Bitweddad Makonnen Endalkachau will head the Ethiopian Delegation, which will include Ato Aklilou Hapte Wold, Vice Minister for Foreign Affairs; Ato Ambai Wold-Mariam, Vice Minister of Justice; Blatta Ephrem Tewelde Medhen, Minister to the United States; Ato Emanuel Abraham, Director General of Education; Ato Getahoun Tesemma, First Secretary, Ethiopian Legation, Washington; Ato Menasse Lema, Director General, Ministry of Finance; Adviser: John Spencer, Adviser to Ministry for Foreign Affairs; Secretary: Ato Petros Sahlu, employee, Ministry for Foreign Affairs.

Greek Delegation

The Department announced on March 30¹ that the Greek Delegation would be headed by the Minister for Foreign Affairs, John Sofianopoulos. Other members will be George Melas, Under Secretary for Foreign Affairs; Kyriakas Varvaressos, Governor of the Bank of Greece; John Politis, Ambassador Extraordinary and Plenipotentiary; Athanasios Agnides, Ambassador Extraordinary and Plenipotentiary to Great Britain; Cimon P. Diamantopoulos, Ambassador Extraordinary and Plenipotentiary to the United States of America; Staff: Alexander Argyropoulos, Minister Resident, Economic Adviser; Constantin Goulimis, Legal Adviser; John Spiropoulos, Professor of International Law, Athens University, Legal Adviser; Colonel S. Georgoulis, Military Adviser; Wing Commander Constantin Platsis, Military Adviser; John Liatis, First Secretary, Greek Embassy, Washington, Secretary to the Delegation; Miltiades Delivanis, Secretary at the Ministry of Foreign Affairs, Assistant Secretary to the Delegation; H. George Michalopoulos, Assistant Secretary to the Delegation; J. George Cavoumides, Chief of Section in Press and Information Division of the Ministry of Foreign Affairs, head of Press Service to the Delegation; Elefterios Cotsarides, journalist, Adviser to the Press; K. George Mylonas, secretary to the Press Service of the Delegation; L. Constantin Vilos, attaché to the Delegation; Maris Embirikos, attaché to the Dele-

tion; Experts: Charalambos Theodoropoulos, Director General, Ministry of National Economy; Peter Exardakis, Director General, General Accounting Service; Christos Vasmatzis, Director of the Agricultural Bank of Greece; Christos Evelpidis; Nicholas Dritsas; George Tripans.

Haitian Delegation

The Haitian Delegation will include the following: Gerard Lescot, Minister for Foreign Affairs; Vely Thebaud, Minister for the Interior; General Nemours, President of the Senate; André Liautaud, Ambassador in Washington; Assistant Delegates: Pierre Chauvet, Under Secretary of State for Commerce; Major Antoine Levelt, Director of the Military School; Antoine Bervin, Haitian Chargé d'Affaires at Habana; Technical Advisers: Louis Moravia; Joseph Nadal; Secretary: Louis Gardere.

Honduran Delegation

The Honduran Ambassador to the United States, Julian R. Caceres, will be chairman of his country's Delegation, assisted by Marcos Carias Reyes and Virgilio Galvez. Jorge Fidel Duron will be Secretary of the Delegation.

Liberian Delegation

Vice President C. L. Simpson will be chairman of the Liberian Delegation. Other members include Secretary of State Gabriel Dennis, adviser; J. L. Gibson, Chairman, Senate Foreign Relations Committee; Richard A. Henries, Chairman of House Foreign Relations Committee; Colomen Moses Grant, Officer Commanding Frontier Force, Military Aide; Nathan Barnes, Secretary of Commission; and George Padmore, Secretary to the Adviser.

*Yugoslav Delegation*²

The Chief Delegate will be the Minister of Foreign Affairs, Ivan Subasic; the Minister of Finance, Sreten Zujevic, and Stanoje Simic, Ambassador Designate to the United States, will be Delegates. Dr. Stoyan Gavrilovic, Assistant Minister of Foreign Affairs, will be an Assistant Delegate, and Dr. Teodor Gjurgjevic, Chief of Protocol, will be Adviser to the Delegation.

Secretaries to the Delegation will be Dr. Dragovan Sepic, Chief of the Cabinet of the Ministry of Foreign Affairs, and Milorad Cerovic, Secretary in the Ministry of Foreign Affairs.

¹ BULLETIN of Apr. 1, 1945, p. 576.

² Released to the press Apr. 7, 1945.

Declaration of War by Argentina

RESOLUTION BY THE GOVERNING BOARD OF THE PAN AMERICAN UNION¹

THE GOVERNING BOARD of the Pan American Union has noted with satisfaction the measures adopted by the Argentine Government, referred to in the communication directed to the Director General of this institution, Dr. L. S. Rowe, by said Government under date of March 28, 1945, as well as those subsequently taken by said Government.

The Board believes that these measures are in accordance with the criteria of Resolution 59² of

the Conference of Mexico and, consequently, resolves to request the Director General of the Pan American Union to transmit the above-mentioned communication of the Argentine Government, together with a copy of this resolution, to the President of the Inter-American Conference on Problems of War and Peace, His Excellency Ezequiel Padilla, with a view to the signature by Argentina of the Final Act of the Conference of Mexico.

MESSAGE FROM THE ARGENTINE AMBASSADOR TO THE DIRECTOR GENERAL

EMBASSY
OF THE
ARGENTINE REPUBLIC

WASHINGTON, March 28, 1945

U. P. No. 10

Mr. DIRECTOR GENERAL:

With reference to the communication of His Excellency, Señor Don Ezequiel Padilla, President of the Inter-American Conference on Problems of War and Peace, received through the Pan American Union with a note of the Director General dated March 14, I am pleased to inform you:

First: That the Government of the Argentine Republic accepts the invitation extended to it by the twenty American Republics that participated in the Inter-American Conference on Problems of War and Peace, and adheres to the Final Act of the Conference;

Second: That in order to identify the policy of the Nation with the common policy of the other American nations and associate itself with them against threats or acts of aggression of any country against an American State, the Government of the Nation yesterday declared a state of war between the Argentine Republic on the one hand and the Empire of Japan and Germany on the other;

Third: That in accordance with the position adopted, there shall be taken immediately all emergency measures incident to the state of belligerency, as well as those that may be necessary to prevent and repress activities that may endanger the war effort of the United Nations or threaten the peace, welfare or security of the American Nations.

For appropriate action I transmit herewith the text of the decree issued by the Executive Power which pertains to the above-mentioned measures.

I beg to remain, Mr. Director General, with assurances of my highest consideration.

RODOLFO GARCÍA ARIAS

[Enclosure]

Decree No. 6945/45

BUENOS AIRES, March 27, 1945

In view of the communication of the Director General of the Pan American Union enclosing a copy of the Final Act of the Inter-American Conference on Problems of War and Peace held at Mexico City, and a certified copy of Resolution LIX, approved March 7, 1945, by the twenty American States that participated in the aforementioned Conference, and considering:

¹ Adopted on Mar. 31 and released to the press by the Pan American Union Mar. 31, 1945.

² BULLETIN of Mar. 18, 1945, p. 450.

That Article 6 of said resolution referring to our country, states that the Final Act is open to the adherence of the Argentine Republic and authorizes the President of the Conference so to inform the Government of the Argentine Republic through the Pan American Union;

That said resolution recognizes that the unity of the peoples of America is indivisible, and rightly affirms that the Argentine Republic is and always has been an integral part of the Union of the American Republics, and that it likewise considers that complete solidarity and a common policy among the American States in the event of threats or acts of aggression by any State against an American State are essential to the peace and security of the Continent;

That the Government of the Republic, pursuant to the established foreign policy of the Argentine Republic, reaffirmed its opposition to aggression and its solidarity with its sister nations by means of the declarations of the Acting Minister of Foreign Affairs and Worship on March 7 of the present year, in which he referred especially to previous declarations of this Government based on Argentine tradition and policy;

That the preamble of the Act of Chapultepec¹ and the principles it enumerates as incorporated in the international law of our Continent since 1890, have at all times guided the foreign policy of the Nation and coincide with the principles of Argentine international policy;

That the Argentine Republic has always collaborated with the American States in all action tending to unite the peoples of the Continent; that this traditional policy of generations of Argentines from the early days of our independence has been inspired by a sentiment of true and effective Americanism, a consequence of the injunctions of the noble principles that have always regulated our international life, manifested and proclaimed by the Argentine Republic in Pan American conferences, incorporated in numerous laws, reflected in the work of the Pan American Union, and put into effect with disinterested effort;

That in view of the unanimous gesture of the sister nations that attended the Mexico City Conference, the Government of the Nation, animated by the highest ideals of Continental solidarity, the guiding principle of our international policy, can-

not remain indifferent, in view of the elevated spirit of American confraternity;

That Japan attacked the United States at Pearl Harbor, as was recognized officially by the Argentine Government in a decree of December 9, 1941,² declaring the United States, upon which Germany later declared war, a non-belligerent; that new aggressions on the part of Japan against any American nation are not impossible; that neighboring and friendly countries are now in a state of belligerency with the Empire of Japan and thus exposed to possible attack by the latter;

That in view of this situation, and new events that have occurred, the Government of the Nation, pursuant to its tradition of American solidarity, proposes once again to unify its policy with the common policy of the other States of the Continent in order to occupy the place that corresponds to it and to share the responsibilities that may devolve upon it;

That the Government of the Nation accepts and finds itself prepared to put into effect the principles, declarations and recommendations of the Mexico City Conference; that the provisions of Article 67, Section 21, and Article 86, Section 18, of the National Constitution and the decisions of the Supreme Court of the Nation authorize the taking of the measures consequent upon the acceptance by the Government of the Republic of the invitation of our sister nations; that in order to adopt such measures the Executive Power in the present circumstances considered it desirable to consult public opinion that would assure a knowledge of the popular will;

THE PRESIDENT OF THE ARGENTINE NATION
IN A GENERAL AGREEMENT WITH THE MINISTERS
DECREES:

Article 1. The Government of the Nation accepts the invitation extended by the twenty American Republics participating in the Inter-American Conference on Problems of War and Peace, and adheres to the Final Act of that Conference.

Article 2. In order to identify the policy of the Nation with that of the other American Republics and associate itself with them against threats or acts of aggression of any country against an American State, there is declared a state of war between the Argentine Republic on the one hand and the Empire of Japan on the other.

Article 3. There is likewise declared a state of war between the Argentine Republic and Ger-

¹ BULLETIN of Mar. 4, 1945, p. 339.

² BULLETIN of Dec. 9, 1941, p. 485.

many, in view of the fact that the latter is an ally of Japan.

Article 4. Through the respective Ministries and government Departments, there shall be adopted immediately the measures necessary for a state of belligerency, as well as those required to put to a definite end, all activity of persons, firms and enterprises of whatever nationality, that might endanger the security of the State or interfere with the war effort of the United Nations or threaten the peace, welfare, and security of the American Nations.

Article 5. This decree shall be communicated, published, listed in the National Register, and filed.

(Signed) EDELMIRO J. FARRELL

(Countersigned) CÉSAR AMEGHINO
ALBERTO TEISAIRE
JUAN D. PERON
AMARO AVALOS
JUAN PISTARINI
BARTOLOMÉ DE LA COLINA
JULIO C. CHECCHI

Need for Collaborative Action To Continue Mobilization of Economic Resources

At the Inter-American Conference on Problems of War and Peace, the American republics declared in the "Economic Charter of the Americas" their firm purpose to collaborate in a program for the attainment of continued mobilization of their economic resources until total victory, of economic stability of the American republics during the transition from wartime to peacetime conditions, and of a "constructive basis for the sound economic development of the Americas". In the attainment of those objectives the American republics at the Conference declared as among their guiding principles that they would seek agreed action by governments to prevent private agreements which restrict international trade, such as cartels or other private business arrangements which "obstruct international trade, stifle competition, and interfere with the maximum efficiency of production and fair competitive prices to consumers".¹

¹ BULLETIN of Mar. 4, 1945, p. 347.

² BULLETIN of Sept. 10, 1944, p. 254.

The need for such collaborative action by the United Nations was expressed by President Roosevelt on September 6 when he stated that the policy of this Government in its trade-agreements program "has as its objective the elimination of barriers to the free flow of trade in international commerce" and that "cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed".²

Assistant Secretary Clayton, in a statement made in Mexico City on March 6, explained cartels in the following manner:

"Distinction can be drawn between private cartel arrangements which have to do with the fixing of prices, the allocation of markets and the control of production for private profit, particularly when such agreements are made by such industries with a limited number of products, as the chemical industry; and an international agreement under government auspices which relates to commodities which have developed unmarketable surpluses and which concern raw materials in the production of which millions of producers are involved. We can defend the latter while we condemn the former."

The Economic Charter as stated in the Final Act of the Conference also emphasizes the need for a control over those unmarketable surpluses by including the guiding principle that declares the American republics must "cooperate for the general adoption of a policy of international economic collaboration to eliminate the excesses which may result from economic nationalism, including excessive restriction of imports and the dumping of surpluses of national production in world markets". Furthermore, the Charter urges the promotion of a system of private enterprise in production "which has characterized the economic development of the American Republics", the encouragement of private enterprise, and the removal as far as possible of "obstacles which retard or discharge economic growth and development".

The press release of April 3 announcing the preparation and distribution of a series of pamphlets on basic data about the Dumbarton Oaks Proposals was printed in the BULLETIN of April 1, 1945, page 555, to accompany the printing of the four Foreign Affairs Outlines.

Opposition to Airline Monopolies

Statement by ASSISTANT SECRETARY CLAYTON¹

In a letter dated February 22, 1945 addressed to the chairman of this committee, the Department of State commented at some length upon Senate Bill 326.

In its letter the Department laid special emphasis upon the very important fact that the nations which adopted the single-instrument policy in international aviation all fell into one of three distinct categories: (1) those that had adopted a totalitarian form of government, which naturally and inevitably lent itself to the operation of a chosen instrument; (2) nations which desired to connect wide-spread colonial possessions with the mother country by a government-owned airline; (3) small nations whose financial resources did not permit them to support more than one enterprise and, therefore, as a matter of course confined their participation in the international aviation to the operation of one company. The United States does not fit into any of these groups. On the contrary our country offers the reverse picture in every particular: 1) it is democratic, and our economy is based upon a competitive system and the encouragement of individual initiative; 2) our object is not primarily to connect the homeland with American territory abroad but to carry American passengers and American products under our own flag to all parts of the world; 3) we are not prevented by limited finances from obtaining the benefits of regulated competition.

Furthermore, in considering the history of aviation in those countries which have adopted the single-instrument policy, it is of the utmost importance to observe that in every instance that single-instrument company has been government-owned or so much government-controlled as to have all the qualities of government ownership, with the minor exceptions of Switzerland, Norway, and Denmark. I think the conclusion is inevitable, therefore, that any airline assured of a monopoly of international air transport under

the American flag would, by force of circumstances and following the ample precedents which exist, sooner or later conform to this pattern. I do not think the American people want Government ownership of the airlines any more than they want Government ownership of our merchant marine and our railroads.

A good deal has been said about the amount of traffic which will be available in the post-war period for division between American and foreign airlines. We have heard many and varying estimates. As this is a technical subject not in my field, I have not attempted to make an estimate of my own, but from what I have heard I am of the opinion that any effort to forecast at this time the probable size of this post-war market is of little value. I believe that our policy should be based upon the assumption that there will be a tremendous increase in this traffic if facilities to handle it are available, and that we should put into service as soon as possible the aircraft required to handle this traffic, and make full provision for rapid expansion to take care of the heavy increase which I am confident will develop. Any policy, therefore, based upon an assumption that the amount of traffic is only such as to justify the operation of a limited number of planes to be divided among a very limited number of companies is short-sighted in the extreme. It would mean freezing our international aviation policy at the very time it should be most flexible. It is possible that some of the estimates of traffic and the number of airplanes required may prove to be reasonably accurate for the initial period, but we should not adopt a long-range policy based on short-range probabilities.

It is true that before the war American aviation in the international field was developed by a single carrier, although even in 1940 the Civil Aeronautics Board, believing competition in this field to be in the public interest, certified a second American flag line to operate in trans-Atlantic service. Previous to that time, development of aviation had been in the pioneering stage where competitors are not anxious to rush in. A policy that was suitable for that period would not, in my

¹ Testifying on S. 326, a Bill To Create the All-American Flag Line, on Apr. 2, 1945 before the Aviation Subcommittee of the Senate Commerce Committee.

opinion, be the proper policy to be continued in the period of intensive development and activity which we foresee following the war.

It is true that Pan American Airways negotiated operating rights in a number of foreign nations and colonial possessions; but it should be noted that, as soon as Pan American undertook to obtain such rights from the nations which were themselves interested in operating reciprocal services, it was necessary for this Government to take over the negotiations and grant reciprocal rights in return. The principle is now so generally accepted that a nation will not grant operating rights without receiving reciprocal rights in return that we must assume the period of direct negotiation by operating companies is a thing of the past.

The statement has been made that the proposed all-American flag company is not in effect a monopoly because it is in reality a community company in which all the American airlines which wish to do so will be permitted to participate. I feel that this would still be a monopoly. The exclusive right to carry on a certain business constitutes monopoly, whether or not the ownership is vested in one or many stockholders. Analogies between the all-American flag company and other forms of business such as communications and public utilities and the postal service are not valid. On the other hand, there does seem to be a close analogy between air, rail, and water transportation. Where competition is economically feasible and in the public interest, I believe it is desirable; and I believe that monopoly should be confined to those cases where it is unavoidable.

It has been suggested that foreign airlines will provide all the competition needed to assure efficiency of operation, reasonable rates, and technical progress. In my opinion, competition with foreign airlines is not sufficient to stimulate the keen and aggressive development and improvement of services which would be forced upon an American airline by competition from another airline of the same nationality.

National pride and custom will lead many travelers to use the airlines of their own country even though they may be less efficient than those of another country, and even if their rates are somewhat higher. There are many ways in which travel is influenced by considerations beyond the

purely economic. It is quite possible, therefore, that a monopoly can be made to do a substantial amount of business without bringing its services up to the point of efficiency and public service which it would be compelled to reach if faced by competition with a line of its own nationality. In such cases the traveling public is the loser.

I think we must frankly recognize the fact that we cannot expect to carry all the commerce of the world on American wings. I do believe, however, that the American carriers will be able to obtain a full share of this international traffic, and it does not follow that such share should be turned over to a monopoly. This is not to say that I favor unrestricted competition between American carriers on all routes. I am quite prepared to leave it to the decision of the Civil Aeronautics Board whether more than one carrier is certified over any route where it might appear to be uneconomic to divide the traffic between two or more companies; but it does not logically follow that this would be the case on every route or that one carrier should fly all of the routes throughout the world.

Moreover, I believe that the danger of private deals with foreign flag operators which might be favorable to the carriers but detrimental to our general national interest will be much greater if we are represented in this world-wide field by one monopoly company than if we are represented by several competitive lines.

Other nations are proceeding rapidly with their post-war plans for international aviation. I therefore feel that we should inaugurate operations as soon as possible over the routes which this Government wishes to see established. I believe that we should do so in accordance with the present law and not through changing that law so as to provide for a single company nor by a return to the old method of bilateral arrangements, which would inevitably result in such confusion and delay as to cast grave doubt upon the successful consummation of our objectives. I do not believe that the American people will be satisfied if they see progress being made in a solution of almost all other post-war problems while those relating to our great and special interest in international air transportation are held in abeyance.

Planning for World Monetary Stability The International Economic Background

Address by EDWARD S. MASON¹

[Released to the press April 4]

Those who have been thinking seriously in recent months about world economic reconstruction are not inclined to unrestrained optimism. They see on one hand an array of problems of enormous—perhaps unprecedented—complexity and on the other a series of obstacles to effective action which entail the danger that we shall do too little too late. They warn that we shall be too easily discouraged unless we are prepared to make progress by inches and to accept occasional reverses.

Most of us probably share this predisposition in greater or lesser degree. There is, however, another face to the picture which gives ground for more hopeful expectations. We may take courage from the fact that our position today is stronger than that of the peacemakers of 25 years ago in several important respects. We today are acutely aware, as our predecessors were not, of the necessity of providing a firm economic base for the political peace. We have the advantage, moreover, of the costly but precious experience of these 25 years, hardly one of which does not yield lessons which are relevant to the problems we face now. Most important, however, is the striking popular unanimity on the proposition that victory will not guarantee lasting peace and prosperity but will only win us the right to work for these goals.

The yearning for peace and the desire for economic well-being are the two most powerful forces which will shape the post-war world. The strength and universality of these ideas are rooted in the two central events of recent years—the greatest depression in modern times and the greatest war in history. Against this background it should occasion no surprise that proposals for the post-war reform of this or that, which are not directly and immediately related to these primary goals, should meet with popular inattention or impatience. It follows that programs which will

in fact contribute to the achievement of these goals must be presented and advocated in terms which make this relationship clear.

If it has been difficult to attract a wide audience for proposals in the field of international financial and commercial policy, it is because these matters are complicated, technical, and certainly not dramatic. The disposition to leave these matters to the experts reflects the view that they are probably not very important, and presages apathy over their fate. If a convincing case can be made out that either peace or prosperity or both are dependent on the proper solution of this range of problems, then a hearing must be secured.

Peace and plenty are not synonymous terms. Nations have gone to war in periods of relative economic well-being, and peace has been preserved in times of general economic distress. There are few today, however, who would question seriously the necessity of creating healthy economic conditions as a bulwark to the preservation of peace. If the fact were not clear enough before, the turmoil of the pre-war years affords ample evidence that economic distress is a fertile breeding ground for political upheaval, which is as likely as not to take the form of military adventure. Poverty and hunger invite demagogues to trade on the misery of the people and to permit them to capitalize on the simple and widely perceived relationship between the military budget and the level of employment. It is no longer a secret to the man in the street that any industrial nation can generate boom conditions by launching a vast armaments program. There is hardly a more portentous omen for the building of the peace than the popular perception of this truth. Never was the danger greater that, if other means fail, military expenditures will become the principal instrument for the achievement of prosperity.

Flourishing world trade is essential to the economic well-being of all nations. At one time, it would not have been necessary to defend this assertion. Today, however, many of us have become so exclusively concerned with the problem of find-

¹ Delivered before the Academy of Political Science in New York, N. Y., on Apr. 4, 1945. Mr. Mason is Deputy to the Assistant Secretary of State for Economic Affairs.

ing a job for every worker that we slip into the error of equating economic well-being with numerical full employment and tend to neglect the fact that numerical full employment is also compatible with a relatively low standard of living.

If our only purpose is to keep everybody busy, we need not give much attention to the international exchange of goods. Any nation which is willing to place its economic system in a straight-jacket and run it on the command principle can assure numerical full employment independently of the volume of exports or imports. For many countries, however, numerical full employment in an atmosphere of stagnant world trade would mean dire distress. The British cannot eat their woolens, nor can the Chileans wear their copper. We tend to give less attention than do most other countries to the real-income aspect of the employment problem and to the function of international trade in maximizing real income, because the great diversity of our natural resources and productive facilities is assurance that our economic well-being would suffer least from a contraction of world trade. But suffer it would. We perhaps can live alone, but we wouldn't live as well as we might, and we certainly wouldn't like it. We would dislike particularly the detailed government controls and regulation of economic life which would be involved in any attempt at full employment in a self-sufficient economy.

The fact is that no nation can neglect international trade without jeopardizing the material well-being of its people. In a great many countries—and no country is so small or unimportant that it cannot endanger the preservation of peace—the volume of international trade is the major determinant of living standards. The economic conditions which best serve the interests of peace entail not only that every worker shall have a job, but also that he shall be permitted to produce the goods which he can make most efficiently, and to exchange them for the goods he most desires.

The distinction between numerical full employment—or just keeping busy—and productive employment—or working with maximum efficiency—is especially useful in an approach to the international monetary problem. The traditional self-regulating gold standard, associated as it was with a relatively free multilateral trading system, was oriented toward the achievement of produc-

tive employment. In the context of modern economic organization, however, the self-regulating gold standard is widely criticized—and justly so—on the grounds that its adoption would prejudice the achievement of numerical full employment. On the other hand, the world monetary system, if it can be called a system, which arose in the 1930's, tended to impair the productivity of employment by focusing principally on the objective of achieving numerical full employment.

The gold standard, in imposing an iron stability on exchange rates, required that basic adjustments to changed circumstances of world trade be accomplished by alterations in the levels of internal prices and wages. In the modern industrial economy, however, easy flexibility in prices and wages simply does not exist. In these circumstances, forces set in motion within the framework of the gold standard, since they cannot yield their results via prices and wages, tend instead to produce idle plants and idle workers.

The monetary chaos of the 1930's, however, resulted from a wide variety of national policies designed to stimulate high-level numerical employment at the cost of impairing the productivity of economic endeavor. The substitution of a bilateral system of payments for a multilateral system meant in effect that importers were forbidden to buy in the cheapest market, and exporters to sell in the dearest. It is now clear that the unilateral monetary devices used to encourage high numerical employment largely canceled each other out. Competitive exchange depreciation as a means of exporting unemployment to foreign countries was shown to be ineffectual when foreign countries promptly adopted retaliatory measures.

The world will not accept a return to the gold standard because the nations are unwilling to sacrifice their domestic economic objectives to rigid exchange stability. At the same time the nations have learned from the bitter experiences of the 1930's that the turbulent monetary policies characteristic of this period were self-defeating and are not capable of achieving the maximization of economic well-being.

The proposed International Monetary Fund is a mechanism which, if properly implemented and supported by international action in related fields, is capable of providing both a stimulus to numerical full employment and a stimulus to productive employment. It would be folly to claim that the

Fund is of itself capable of assuring high stable levels of employment. It can, however, make a substantial contribution to the achievement of this goal. The Fund provides a mechanism to facilitate the correction of basic maladjustments by the expansion rather than the contraction of trade. In the 1930's a country which faced a deficit in its balance of payments typically endeavored to reduce its imports. Under the procedures contemplated by the Fund, it is at least more likely that corrective measures will be taken by surplus countries as well. Such measures, since they would involve the increase of imports by the surplus countries, would constitute correctives of an expansionist character. Moreover, by providing an emergency reservoir of foreign exchange for use when balance-of-payments difficulties arise, the Fund should reduce the danger that cycles of deflation may be launched in some countries and spread to others because of deflationary measures undertaken to protect falling reserves of gold and foreign exchange. It can also be claimed for the Fund that the realization of relatively stable exchange rates and the achievement of free interconvertibility of currencies will encourage a substantially higher volume of international investment than would otherwise take place. Increased investment, of course, is a source of added employment both in the lending and borrowing countries.

The Fund is of major importance, moreover, as a mechanism for increasing the international flow of goods, or, to state the same thing in another way, the productivity of employment. Relatively stable exchanges are a strong impetus to the international movement of goods, for such stability would remove much of the riskiness from transactions across national borders. Moreover, by working toward the elimination of exchange controls, the Fund seeks to reduce the barriers to trade which are entailed in the transfer problem. Free interconvertibility of currencies means that exporters can be paid in money they can use, rather than in blocked credits in foreign banks.

However, although the Fund may provide an international monetary framework which will stimulate a high level of employment and more productive employment, it is emphatically not sufficient unto itself for the full achievement of these ends. If it were left unprotected to weather the storms of transition from war to peace, or to absorb the economic maladjustments which existed before the war and which have been intensi-

fied by the war, the effectiveness of the Fund would be seriously impaired. Many of the ills which characterize the world economy are not monetary in nature and are not subject to monetary therapeutics. It cannot be reiterated too often that the Fund is incapable of performing miracles in the way of world economic reconstruction.

Looting and physical devastation have robbed the countries of western Europe of much of their productive resources. The needs of reconstruction will produce a great demand for imports at a time when these countries are incapable of producing large exports to finance their import programs. Foreign holdings of gold and dollars are in the aggregate large. Unfortunately, however, these holdings are unevenly distributed among foreign countries, and the countries whose needs are greatest do not hold gold and dollars in sufficient volume.

If the Fund had to bear the brunt of these trade deficits, its holdings of dollars and other strong currencies might be dissipated in the transition period before the operation of longer-run corrective forces could come into play. Fortunately, however, this threat was clearly foreseen and met in advance. The articles of the Fund wisely provide that the facilities of the Fund shall not be used for purposes of relief or reconstruction. It is anticipated that the trade deficits arising out of reconstruction imports will be met in part by international credits, private and public, guaranteed by the proposed International Bank for Reconstruction and Development. If the Bank's facilities are not adequate, other sources of credit—such, for example, as an expanded Export-Import Bank—may have to be provided. Thus, so far as reconstruction problems are concerned, the Bank and other sources of long-term credit are the strong right arm and shield of the Monetary Fund. At the same time, the Fund would itself provide encouragement and assurance to private capital seeking investment abroad and would thus make possible a fuller realization of the potentialities of the Bank. The sum total of what the Fund and Bank can achieve together is greater than their separate contributions.

Although the Fund appears to be sufficiently insulated against the dangers of reconstruction deficits, there are yet other and deeper-lying maladjustments, inherited in aggravated form from the pre-war period, which may strain the

facilities of the Fund if adequate supplementary measures are not adopted. Of these maladjustments, the case of Great Britain is illustrative and most important.¹

Great Britain is irrevocably committed to a high degree of economic interdependence with the rest of the world. She must have imported food and raw materials to live. Even before the outbreak of war, however, she was having difficulty in financing the requisite volume of necessary imports. The jungle growth in the 1930's of tariffs, quotas, licenses, exchange controls, and bilateral agreements limited the outlets for British exports and intensified Britain's difficulties in obtaining the foreign exchange necessary to balance her international accounts. She herself was forced to a variety of expedients to restrict imports and force exports in order to stabilize her situation.

Britain's position will be considerably weaker in the post-war period. Before the war she had a large unfavorable balance of trade. Her average annual imports in the period 1936-38 came to 950,000,000 pounds, against exports of 560,000,000 pounds. About half of this unfavorable balance of nearly 400,000,000 pounds was financed by income from foreign investments, while another quarter was financed by shipping income. During the war, however, she has been forced to liquidate so many of her overseas investments that her post-war income from this source will be hardly more than half the pre-war figure. Her shipping income will also be gravely curtailed, for much of her merchant fleet has been lost to enemy action, and she faces the prospect of keen post-war shipping competition from the United States.

Moreover, there have been built up in London during the war blocked sterling balances which may aggregate 3 billion pounds at the close of the war. If these balances are funded, as appears possible, the servicing of these additional debts may offset a large part of Britain's remaining income from foreign investments. In the light of these facts, Britain's balance-of-payments plight can be characterized only as critical.

The Fund will not solve Britain's dilemma nor will the Fund and the Bank together, for Britain's problem has implications which go far beyond the monetary and financial field. The two central forces capable of easing Britain's plight are, first, general and sustained world prosperity, and particularly prosperity in the United

States; and second, a general and substantial reduction in the barriers to world trade. Both of these forces would operate powerfully to provide expanded export opportunities for Britain, whose abandonment of exchange controls at an early date, in accordance with the purposes of the Fund, would thus be facilitated. The British example is the leading case, but it is not unique. It highlights the fact that the full success of the Fund is dependent on the creation of a healthy economic environment.

The United States must play the central role in this work of world economic reconstruction. We shall almost certainly become the greatest creditor nation; we are the largest exporter and the second largest importer. We own the bulk of the world's stock of gold. Our industry, which has gained enormously in size and technical skill during the war, is capable of becoming the prime mover in the world's economic reconstruction. We may play our role for good or for ill; but play it we must. If tariffs and other barriers to world trade are to be lowered; if nationalistic trade practices are to be prescribed; if a *modus vivendi* is to be worked out to govern the relations between state trading monopolies and private traders; if the problems of chronic commodity surpluses are to be handled cooperatively; and if the restrictive practices of international cartels are to be eliminated, the United States must not only cooperate with other nations to these ends but must take the leadership in promoting their attainment.

These are the broad categories of international collaboration in which action is necessary to the complete achievement of the purposes of the Bretton Woods agreements. If Bretton Woods were to be the end as well as the beginning of international economic collaboration, it could not vindicate the ambitious hopes of its founders. The Fund cannot alone solve the problems of an economic world as chaotic and unbalanced as the post-war world is obviously going to be. It is not, however, expected to stand alone. It is envisaged as an integral part of a structure which will embrace other broad aspects of world economic co-operation.

Unfortunately, some of the opponents of the Bretton Woods proposals would have us believe

¹ See BULLETIN of Mar. 25, 1945, p. 501.

that we should cease our efforts to secure the prompt establishment of the Fund until agreement is obtained on these other vitally necessary aspects of international economic cooperation. Such a course would, in my opinion, be unwise. In the first place, agreement on and adoption of the Bretton Woods proposals will pave the way for securing agreement on other effective measures of economic cooperation. In the second place, prompt implementation of the Bretton Woods proposals

should bring with it immediate benefits which will make a substantial contribution to post-war economic order, even though they are not a panacea for all our ills. For us to hesitate now will be to increase and prolong the uncertainty as to the role of the United States in the post-war world. Without Bretton Woods the prospects of a broad program of world economic collaboration for peace and plenty in our time would be dim indeed.

The American Farmer's Stake in World Cooperation

INTERVIEW WITH ASSISTANT SECRETARY CLAYTON¹

[Released to the press April 7]

WORCESTER: In just two and a half weeks, what may turn out to be one of the most important events in history is scheduled to open in San Francisco—the United Nations Conference on International Organization. We hope this will be a major victory in the long struggle for a lasting world peace.

Because of the very great importance of this Conference to every single person in the world, a portion of each "Country Journal" broadcast in the next few weeks will be devoted to a discussion of such aspects of world planning and co-operation that particularly affect the American farmer and his family.

Today it's a real honor to have as our guest in the first of this series of discussions William L. Clayton, Assistant Secretary of State for Economic Affairs. He'll outline the main highlights of the American farmer's stake in world cooperation. Subsequent discussions will take up in closer detail different phases of this main topic.

Mr. Clayton, what can farm people hope to gain from international planning and cooperation?

CLAYTON: Well, I'm sure the hopes of every American farm family are the same as the hopes of all the other people in this country and everywhere in the world. We want *peace and prosperity*.

We want a *lasting* peace—not just a few years of quiet between wars. And we want a *lasting* prosperity—not just a few years of good times between depressions.

¹ Broadcast over the Columbia Broadcasting System Apr. 7, 1945. Mr. Worcester is Director of Agricultural Problems for the Columbia Broadcasting System.

WORCESTER: Seems to me peace and prosperity are sort of dependent upon each other.

CLAYTON: They're inseparable! You can't have lasting world peace without an expanding world economy with increased production and consumption, and rising levels of living for all peoples everywhere.

And you certainly can't have world prosperity when nations are spending most of their time and energy fighting each other.

WORCESTER: Is there any single answer to the question, How can we attain peace and prosperity?

CLAYTON: The answer is simple—world cooperation. Putting that answer into practice, of course, calls for careful international discussion and collaboration. But it is a fact that our success in securing peace and prosperity depends chiefly on that one word—cooperation. In the world we live in today, it is impossible for any nation to sit in its own little corner and live as it pleases. If we want real security, lasting peace, and sound prosperity, we must take our place and meet our responsibilities in world politics, trade, finance, development, and all other activities with which the modern world is concerned.

WORCESTER: From a business standpoint, where does the farmer fit into this picture of world cooperation?

CLAYTON: He sits right in the middle of the picture. I hope that's putting it strongly enough. Active world trade is the key to the farmer's prosperity.

This war has made it clear that American agriculture has tremendous productive capacity. We can use a lot of food here at home, but we can raise

still more. In peacetime, several important farm crops such as cotton, wheat, pork, and tobacco must have export markets for their surplus production. The home market, on the other hand, normally takes practically all the production of some other kinds of farming such as dairying, beef cattle, wool, and fresh vegetables. But these branches of farming are also vitally interested in export markets because every automobile, every washing machine, and every other sort of product American industry can make and export mean more jobs at home—more people to buy food and better markets at home for the farmer.

WORCESTER: Of course, exports are one side of world trade, and I'm sure nobody's foolish enough to hope we can sell more than we buy on the world market like we did after the last war.

CLAYTON: Of course, if we export we *must* import. Other nations can only get the dollars with which to buy our farm and industrial exports by selling their goods and services to us. And naturally such imports will be goods that our farm and city people want and that can be made more efficiently in other countries. That's the beauty of active world trade—we make the things we can produce most efficiently and sell what we can't use to the rest of the world. Other nations make what they can produce most efficiently and sell to us. The result is a higher standard of living for all peoples everywhere.

WORCESTER: Seems to me though, whenever imports are mentioned, the old bugaboo of foreign competition comes up. Is that likely to bother the farmer?

CLAYTON: Foreign competition is an old argument used to build and maintain tariffs. Some people used to think that tariffs helped keep wages high and helped to promote prosperity generally. But it's gradually being realized that tariffs provide a false sense of protection. They put a damper on world trade and thus make it difficult or impossible for other countries to buy our goods. When they do this they are cutting down our exports and the American jobs and buying power that depend on exports.

WORCESTER: The history of the reciprocal trade agreements has made that clear, I believe.

CLAYTON: That's right. In the past 10 years while the trade agreements have been gradually cutting down tariff barriers, American farmers have been receiving steadily better incomes. Their home markets and most of their export markets

have improved and they have *not* suffered from so-called foreign competition.

I'd just like to add that expanded world trade in all commodities is truly a great help to agriculture as it is to other industries. Tariffs and other trade barriers, far from protecting the prices of crops of which we have a surplus, actually act to depress such prices. This is true because tariffs make it more difficult for our foreign customers to sell their goods to us and, to that extent, curtail their buying power for our surpluses and thus cause these surpluses to weigh more heavily on the market. Lower tariffs all around the world not only make bigger and better markets at home and abroad for American farmers but they also make available to farmers as consumers, at more reasonable cost, things they need from abroad.

WORCESTER: Sounds to me like farm people have a mighty *big* stake in world cooperation.

CLAYTON: They really do. And they have one of the biggest responsibilities in helping to build lasting peace and prosperity. We must never forget that people who are well fed, well clothed, and well housed are peace-loving people. World cooperation in the exchange of the products of the world—both of industry and agriculture—is sure to raise the levels of living everywhere in the world and set the stage for permanent *peace* and *prosperity*.

WORCESTER: Thank you, Mr. Clayton. Our guest has been William L. Clayton, Assistant Secretary of State. This is the first of a series of "Country Journal" discussions on the "Farmer's Stake in World Cooperation."

Marine Transportation And Litigation

Australia

An agreement between the United States and Australia regarding certain problems of marine transportation and litigation was signed at Canberra March 8, 1945 by Mr. Nelson Trusler Johnson, American Minister to Australia, and Dr. Herbert Vere Evatt, Australian Minister for External Affairs. The agreement is similar to an agreement between the United States and the United Kingdom on the same subject which was signed at London December 4, 1942.¹

¹ Executive Agreement Series 282 and BULLETIN of Jan. 9, 1943, p. 28.

Tribute to Sol Bloom

Address by the SECRETARY OF STATE¹

[Released to the press April 6]

As long ago as July 1943, an American statesman said: "Only a lasting peace as well as a just peace will now satisfy the United States and the world". And he added, prophetically, "If we are willing to shed our blood and pour out the Nation's wealth to achieve a just peace, we certainly are willing to cooperate with other free peoples to make it a lasting peace. We are not fighting for a 25-year peace, no matter how just it might be. We do not intend to have our boys killed in another war."

I quote these words to you as just one example of the clear thinking, the far-sighted thinking, of the man who is our guest of honor tonight—Sol Bloom.

Sol Bloom is a man of varied interests and strong enthusiasms. He has tasted the romance of America. He knows its history, and he knows its people. Human causes attract him irresistibly. He is, in fact, a great democrat—with a small as well as a capital *D*. The record of his public services is long and distinguished.

But I think that nowhere have his qualities of mind and heart been of greater service to his country than in the Congress itself. As Chairman of the Foreign Affairs Committee of the House of Representatives during the past six years—among the most critical years of our history—it has been his responsibility to lay before his committee, before the House, and eventually before the Nation itself great questions of foreign policy for debate and decision. On all these great controversial questions, the issues were always clear in Sol Bloom's mind. The decisions for which he fought were right—as time has so abundantly demonstrated. Nevertheless, being the great democrat—small *d*—that he is, Sol Bloom saw to it that all points of view were never denied a fair and a full hearing.

He has not overlooked the importance of an informed public opinion, and the deliberations in

¹ Delivered at a meeting in honor of Congressman Sol Bloom under the auspices of the American Labor Party, New York County Committee, at New York, N. Y., on Apr. 6, 1945.

his committee room and on the floor of the House have helped millions of our citizens who were puzzled or in doubt to clarify their own thinking and better understand the great issues of these times in the field of our foreign relations. Let me give you just one classic example—the debates on the Lend-Lease Act in January and February of 1941.

We sometimes forget how deeply the Nation was divided on the issue of lend-lease, how many sincere and thoughtful people were still unconvinced that the Axis had aggressive designs on us. For weeks the eyes and ears of the Nation were riveted on the committee room where Sol Bloom presided while scores of witnesses from every walk of life had their say. Patiently the committee listened and asked questions. All over the country people were listening and asking questions too. Americans stationed thousands of miles from home followed the hearings closely, knowing full well that our Nation stood at a crossroads in its history.

When H.R. 1776 finally reached the floor of the House on February 3, so clearly had the issues already been defined, that it was debated for only five days. It is not generally known, I think, that on each of these days Sol Bloom and his colleagues of the committee met before the debate started to arm themselves with facts and figures, and to anticipate and discuss questions which might arise on the floor. As a result, the debate was a model of precision and clarity. Facts won the day—facts diligently amassed, accurately and convincingly presented by Sol Bloom and his colleagues.

There you have an example of practical and responsible leadership. There you have one clue to his statesmanship, which has exerted such a profound effect on the course of legislation in the past six years. I think it may be said that at no period in our history has the House of Representatives played a more useful or influential role in the formation of our foreign policy.

It is, therefore, eminently fitting, from my point of view as Secretary of State, that you are doing honor to Sol Bloom. It is also wise in my judgment that Sol Bloom and his distinguished colleague from New Jersey, Representative Charles

Eaton, the ranking minority member of the Foreign Affairs Committee, have been selected to go to San Francisco as Delegates to the United Nations Conference. We have good reason to rejoice that Sol Bloom is to have a hand in writing the charter of a world organization to maintain the lasting peace for which he has fought and worked so well and so long.

It is also a source of great satisfaction to me that the Congress of the United States is to be so fully represented at San Francisco. Not only will Sol Bloom and Charles Eaton be there as members of the House, but two distinguished Senators—Tom Connally of Texas and Arthur H. Vandenberg of Michigan—will also be in the United States Delegation. Half of the members of the Delegation will be members of Congress.

The executive and legislative branches of our government are thus brought into close cooperation in the great task of laying the foundation so ardently desired by all our people.

The very active role to be taken by Senators and Representatives in the forthcoming Conference is a good omen. As Administrator of the lend-lease program and in my present position, I have had many associations with members of Congress during these last critical years. I have found them deeply conscious of the great responsibilities which the United States carries in the shaping of an orderly and peaceful world. And I know, too, that from the members of Congress, Americans in all sections of the country obtain much of their information on the issues of the day.

So I am glad when members of the Senate and House are able to undertake additional responsibilities in the solution of these issues. During the conference of American republics at Mexico City, it was invaluable to have at our side as advisers, Senator Tom Connally of Texas, Senator Warren R. Austin of Vermont, and Representatives Edith Nourse Rogers of Massachusetts and Luther Johnson of Texas. Recently the President sent on a special mission to China Congressman Mike Mansfield, who once had served in the Orient in the United States Marines. And I think it is a good thing that so many members of Congress have visited the fighting fronts and seen for themselves what it has meant in effort and sacrifice and

suffering to win one more chance to establish secure peace in the world.

Men like Congressman Bloom of New York, Senator Connally of Texas, and Congressman Mansfield of Montana bring to us in the State Department views and opinions which are of invaluable assistance in the conduct of our foreign relations and in gauging public opinion. And we, in turn, know that they also bring to their colleagues in Congress fuller understanding of the problems and efforts of the executive branch of the Government.

You of labor are honoring Sol Bloom tonight. I can think of no economic group with a greater stake in the sort of world which Sol Bloom and the rest of us hope to make possible by the deliberations at San Francisco. Millions of men from the ranks of labor are fighting on the battlefields. War exacts from the working people of the world a terrible price. War retards that social progress and that wider opportunity and security which labor seeks.

A major task of the world Organization will be the establishment of those economic and social conditions which make for peace. Economic rivalries, poverty, and oppression breed wars. Economic security, rising standards of living, and freedom are the climate of peace. They represent the aspiration of working people all over the world.

Speaking to the first session of the inter-American conference at Mexico City in February, I said, "The United States intends to propose and support measures for closer cooperation among us (the American republics) in public health, nutrition and food supply, labor education, science, freedom of information, transportation, and in economic development, including industrialization and the modernization of agriculture".¹ That represents our policy, not only in our relations with the other American republics, but with the rest of the world.

These are objectives in which labor has a fundamental interest. They can be attained, both in this country and in other countries, only in a world secure from war and the constant and eroding fear of war.

The very fact that success of San Francisco is necessary to the future of all nations is itself the

¹ BULLETIN of Mar. 4, 1945, p. 333.

... when this one [war] finally drags its bloody and destructive course to a conclusion it will open up to all of us an untried and an unknown road on which we must travel, in converting from a war economy to a peace economy. Despite the hardships, the risks, and the dangers which this journey may involve, there is no way to avoid traveling that road. Every consideration of enlightened self-interest, every circumstance and condition which have brought and held us together throughout this war dictate that you and we should travel that road together.

THE ABOVE QUOTATION is from the statement in which Assistant Secretary of State William L. Clayton set forth the position of the United States Delegation on a number of the most important economic questions which were to come before the Inter-American Conference on Problems of War and Peace.¹ The statement was read on February 27 in the Hall of the Viceroys of Chapultepec Castle before an audience consisting of the two economic commissions of the Conference. The remark that "you and we should travel that road together" characterized not only the attitude of the American Delegation at the Conference, but also the results of the Conference, which showed clearly that all the delegations realized fully the importance and necessity of close inter-American cooperation to solve the economic problems of the transition and post-war periods. It was that attitude of cooperation which enabled the Conference to reach mutually satisfactory understandings on a number of difficult economic problems.

More than 50 economic and social² proposals were introduced at the Conference by the various delegations. These proposals were referred either to Commission IV, which dealt with long-range economic questions, or to Commission V, which handled economic problems of the war and transition periods. Various ones of the proposals re-

¹ Mr. Smith is Assistant Chief, Division of Commercial Policy, Office of International Trade Policy, Department of State, and was a Technical Officer in the United States Delegation at the Inter-American Conference on Problems of War and Peace.

² The full text of Mr. Clayton's statement appeared in the *BULLETIN* of Mar. 4, 1945, p. 334.

*The social questions discussed at the Conference will be the subject of a subsequent article in the *BULLETIN*.

Economic Aspects of the Mexican Conference

By H. CLIFFORD SMITH

flected differing points of view as presented by the several delegations; many of the proposals were similar in substance, and it was often possible to consolidate those. It is a tribute to the frank discussions of the problems of each country and to the spirit of give and take in the commission meetings that the Conference was able finally to reach agreement upon 17 economic resolutions, to which no delegation found it necessary to enter reservations.

Work of Commission V

Proposals relating to some of the most difficult and important problems before the Conference were referred to Commission V on Economic Problems of the War and Transition. Outstanding among these problems was that of the effect of the termination of war procurement contracts on the economies of the American republics. On that question the delegates of many of the Latin American countries freely expressed their grave fears that such termination, unless quickly followed by a strong demand through commercial channels, would result in serious economic, political, and social disturbances. To meet this anticipated situation a variety of proposals were introduced, including continuance of government purchase of strategic materials during the transition period until post-war commercial demand revived and the creation of a hemisphere corporation to buy, hold, and sell surplus production. The point of view of the United States Delegation on this subject was summarized by Assistant Secretary Clayton in his statement:

"We will continue as in the past to give appropriate notice of the curtailment or termination of procurement contracts. We will confer freely with you regarding such reductions and the necessary adjustments which they will involve. We will consider and cooperate with you in measures designed to effect these adjustments with the least possible shock to your economy. We recognize our responsibility in this field, and we propose to meet it, consistent with our laws, our public opinion, and a due regard for our own economy."

th Mexico City Conference

GEO D SMITH¹

On the more specific point of stockpiling surplus production until commercial demand is revived, after war needs have subsided, Mr. Clayton was equally clear:

"Encouragement of production through stockpiling of materials for which there is no current or early prospective market is in any case a very dangerous procedure for the producers of such materials."

The resolution which finally emerged on this subject after several days of intensive discussion and drafting, and which appeared as resolution XXI in the Final Act, provided in substance that, if contract curtailment were likely to have a serious effect on the economic stability of the countries producing raw materials, bilateral arrangements should be worked out between the purchasing and supplying countries to minimize adverse consequences. These arrangements might include orderly adjustment of contracts or other methods, appropriate legislation to be sought where required to carry out the purposes of the resolution, in consonance with the fundamental needs of the economies of both the exporting and importing countries.

Availability of Capital Equipment

Considerable interest was expressed by various delegations in the possibility of obtaining capital equipment from the United States in the immediate post-war period for the development of new industries and for replacements of machinery worn out during the war years. Several proposals were introduced on the subject that were aimed at assuring that the United States would supply as much of this equipment as possible to the other American republics. While noting that the problem of meeting all demands for capital equipment would be a difficult one, which would also exist acutely in the United States, Assistant Secretary Clayton at the same time indicated that every effort would be made to see that the American republics were treated in an equitable manner. His statement on February 27 included the following remarks on this subject:

"With reference to the availability in the United States of the capital goods, tools, machinery, and equipment which you require in implementing your post-war policy of economic development, it must be admitted right off that we face here an extremely difficult problem.

"May I add that we in the United States have also had to do without equipment, tools, and machinery unless their need or use were directly related to the war. In consequence many of our plants which have been operating 24 hours daily are badly in need of repairs and new equipment. For some years now new construction of all kinds has been denied unless it had to do with the war.

"So long as the existing controls which have been set up in the United States continue, we have the means at hand for an equitable allocation of our production, and it is the intention to continue to make use of such means to see that you obtain a fair share of such production. Meantime, we will carefully investigate other methods of assuring you of a fair proportion of our capital goods when our present governmental controls expire."

Conference action on the subject, in resolution XVI in the Final Act on "Renewal of Capital Equipment", provided that such equipment should be made available to the American nations "on a fair and equitable basis and within the limitations of the control mechanisms existing at the time".

Price Controls

The question of price controls, particularly United States ceiling prices on commodities produced in the other American republics, was the subject of considerable discussion and debate in Commission V. The resolution which emerged from the Conference reiterated certain points brought out at previous conferences, among which were that price ceilings should bear an appropriate relation to production costs; that there should be a fair relation between prices of raw materials and manufactured articles and that prices should be fair to both producers and consumers; that ceiling prices should apply in a similar manner to both domestic and imported articles; and that interested governments should consult together on price controls.

Other Work by Commission V

The Conference approved five other resolutions on subjects which had been considered by Commission V. These included a resolution in which the governments undertook to continue until complete victory had been achieved their close economic cooperation in the prosecution of the war, and a resolution providing that special wartime economic controls should be eliminated as rapidly as possible consistent with the most effective prosecution of the war, recognizing, however, that it might be necessary to continue certain controls temporarily but that these controls should be only for purposes directly connected with the transition from war to peace or relating to the economic stability of a country during the transition.

Two resolutions of importance were also approved regarding the necessary controls on economic transactions with the enemy and control of enemy property. Provision was made for the necessary modifications, in view of changing war developments, in the controls which had been created early in the war by the American republics on commercial and financial transactions with enemies and with enemy or enemy-dominated countries. Safeguards were also provided so that there would be no opportunity in the American republics for the Axis powers to gain any advantage from the use of money or other property which they had looted or had stolen during the war, and so that the American republics could not become a "safe haven" for Axis war loot.

Work of Commission IV

The majority of the economic and social proposals submitted to the Conference were referred to Commission IV on Post-War Economic and Social Problems. Among the economic proposals referred to Commission IV were those dealing with such questions as reduction of trade barriers, export subsidies, commodity agreements, transportation, stimulation of economic development, and conservation for development purposes of gold and foreign-exchange reserves accumulated during the war. It was to Commission IV that the Economic Charter of the Americas, which was introduced by the United States Delegation and which is discussed below, was referred.

The reduction of trade barriers was the subject of considerable discussion, and two points became evident during the debates: The Latin American

nations were looking to the larger trading countries, including the United States and the United Kingdom, to take the lead in a program for the reduction of trade barriers; and the Latin American nations desired to be free to take action to support new industries in the early stages of development.

Various proposals were introduced regarding export subsidies, all of them opposed to such measures, and it was clear that, in part at least, these proposals were directed against the United States cotton-export program.

There was considerable discussion of commodity agreements before a draft was finally approved which was acceptable to all the delegations. The discussion on this point revolved mainly around the extent to which intergovernmental agreements should be used as a means of dealing with problems of commodity surpluses. One point of view was that such agreements should be considered as a normal means of handling such surpluses, while the other was that such agreements should be used only in exceptional cases of important primary commodities in which serious surpluses had developed or threatened to develop.

The proposals dealing with transportation were chiefly concerned with problems of ocean shipping, including rate questions, the disposal of wartime shipping facilities, and the development of merchant marines.

A subject of great interest, on which various proposals were introduced, was that of economic development, particularly industrialization, in the other American republics.

Economic Charter of the Americas

The Economic Charter as introduced by the United States Delegation,¹ together with the statement by Assistant Secretary Clayton on February 27, set forth the point of view of the Delegation on the broad range of economic questions which were under discussion at the Conference. The Charter was presented in a preamble, a Declaration of Objectives, and a Declaration of Principles. Although certain of the points in the Charter were modified during discussions at the Conference, the form in which it was finally approved did not differ greatly in substance from the original proposal. The Charter covers most

¹ BULLETIN of Mar. 4, 1945, p. 347, and Mar. 18, 1945, p. 451.

major fields of economic interest, both domestic and international. It was significant not only for its substance but also for the degree of unanimity in economic thinking among the American republics which it represented and for the fact that it brought together for the first time in a single document concise expressions of the ideas of the American governments on various important subjects which at past conferences had been treated in scattered resolutions.

The Charter as adopted sets forth three basic objectives covering both the war period and afterward: Continued economic mobilization until total victory is achieved; an orderly economic transition from war to peace with cooperation for the maintenance of economic stability; the sound post-war economic development of the Americas, leading to a rising level of living and increased consumption. The Charter also presents 10 principles as guides for the American republics in the attainment of those objectives. These are: (1) the creation of conditions which will make possible the attainment of rising levels of living; (2) equality of access by all nations to trade, raw materials, and producers' goods; (3) the finding of practical international means of reducing trade barriers; (4) the seeking of early agreed governmental action to prevent harmful cartel practices; (5) the elimination of excesses of economic nationalism; (6) just and equitable treatment for foreign enterprise and capital; (7) early action by governments to bring into operation the International Monetary Fund, the International Bank for Reconstruction and Development, and the Food and Agriculture Organization of the United Nations; (8) the stimulation of private enterprise; (9) provision, in exceptional cases, of important primary commodities in which burdensome surpluses have developed or threaten to develop and of appropriate means for the solution of such problems by agreed national and international action; and (10) realization by the workers of the Americas of the objectives set forth in the Declaration of Philadelphia, adopted by the International Labor Conference.

Industrial Development

Other resolutions of particular importance among the nine on economic subjects which emerged from Commission IV and which were later approved by the Conference included one on industrial development. There had been a belief

in some quarters for some time prior to the Conference that the United States did not look with favor on increased industrialization in Latin America for fear that this would mean a loss of export markets. It was made clear in Assistant Secretary Clayton's statement, however, and in the Commission discussions that the United States Delegation did favor the development of sound new enterprises in the other American republics, and that such development would mean not only rising standards of living and increased purchasing power but greater exports as well. The greatest export markets of the United States are, of course, the most highly industrialized countries.

The resolution on this subject, which favored the development of sound industries in the American republics as an effective means of gradually raising standards of living, laid down the lines which the Conference believed such industrialization should follow. These are: (1) new industries, which should be promoted through private enterprise, should be adapted to local conditions; (2) the Bretton Woods agreements should be brought into operation as soon as possible to facilitate industrial financing; (3) long-term credits should be made available by countries in which there are ample supplies of capital; (4) equal treatment should be accorded to national and foreign capital, except when the investment of the latter would be contrary to fundamental principles of public interest; (5) opportunity should be provided for just and adequate participation of national with foreign capital; (6) there should be equal access to raw materials and the producers' goods needed for industrialization; and (7) there should be increased cooperation in the training of technical personnel, interchange of technical experts and of information, and facilitation of the reciprocal use of patents.

Commodity Agreements

Another resolution that emerged from Commission IV after much discussion was one which appeared as no. XLVI in the Final Act, entitled "Sale and Distribution of Primary Products." In this resolution the view prevailed that international commodity agreements should be entered into in exceptional cases of important primary products in which burdensome surpluses have developed or threaten to develop, rather than as a normal method, to be used on a broad scale, of dealing with commodity-surplus problems. The

resolution set forth the principles which should be followed in drawing up and in administering such commodity agreements as might be negotiated. These principles included the following: Agreements should include both producing and consuming countries; they should be open to participation by all interested countries in the world; they should be administered and reviewed periodically by intergovernmental bodies composed of representatives of the interested countries; they should be for the purpose of achieving an orderly distribution of surpluses; the rationalization of production should be studied, to decrease costs; uniform types and qualities for various products should be established and export and import quotas should be determined for the countries concerned. Other important principles set forth in this resolution included: Assurance to producers of remunerative and non-discriminatory prices based on internationally accepted standards of quality; stability of supply and maintenance of equitable prices for consuming countries; and the adjustment of production toward other more economic activities and away from production of those commodities in which serious surpluses have developed. Finally, the objective of commodity agreements was expressed as the expansion of consumption, and the readjustment of production when necessary, in a manner which will take into account the interests of consumers and producers as well as the requirements of an expanding world economy.

Other Work of Commission IV

Other resolutions approved by Commission IV and by the Conference included one on inter-American transportation which covered a variety of measures designed to expand the facilities, to improve the efficiency, and to reduce the cost of maritime transportation among the American republics. Another resolution recommended that countries producing basic commodities process them to the greatest possible extent before exportation. Others were concerned with the work of the Inter-American Development Commission and with the provisions for a meeting of inter-American monetary authorities and for the exchange of information among the American republics regarding persons who, for reasons of hemisphere defense and security, should not be

permitted to continue their commercial and financial activities.

Summary

A number of difficult economic problems were presented to the Conference, particularly those relating to the transition period from war to peace. There were, of course, differing ideas regarding the steps that should be taken to meet those problems, but after thorough and frank discussion it was finally possible to work out satisfactory understandings.

On the longer range problems of the post-war period, the Conference was able to reach agreement on the broad principles which should guide various phases of the economic development of the American republics. These principles, as expressed in the Economic Charter, will of course need to be implemented with specific action to the extent that they are not at present being applied.

The work of the Conference on economic questions was successful: the most difficult problems were faced squarely, each delegation contributed something constructive to the final result, and each delegation, while recognizing its responsibilities to its own government and people, was also able to take into account the particular problems of other countries.

Merchant Shipping

Australia, France

The first countries to accede to the Agreement on Principles Having Reference to the Continuance of Co-ordinated Control of Merchant Shipping¹ are Australia, on February 19, 1945, and France, on March 15.

The agreement was signed at London August 5, 1944 for the Governments of the United States, Belgium, Canada, Greece, the Netherlands, Norway, Poland, and the United Kingdom. Other governments may accede thereto, the date of such accession being the date of identic notes from the Governments of the United States and the United Kingdom, on behalf of other contracting governments, acknowledging receipt of the communication in which a government expressed its desire to accede to the agreement.

¹ BULLETIN of Oct. 1, 1944, p. 357.

"Building the Peace"

It's Your State Department¹

[Released to the press April 7]

VOICE No. 1: Just what is the State Department's "new information policy"?

VOICE No. 2: What's all this high-toned talk about a "cultural-cooperation program"?

VOICE No. 3: What is our Foreign Service doing to stop Nazi war criminals and their money from finding refuge in neutral countries?

ANNOUNCER: Important questions, that deserve good answers . . . For authoritative information on these and other aspects of *Your State Department's* work, NBC's University of the Air calls upon top officials of the Department itself. This is the last of a group of seven State Department broadcasts on the problems of *Building the Peace*. These broadcasts are part of a larger NBC series which will continue during the weeks to come at this same time.

This series represents the most extensive attempt yet made to bring the major questions of "Our Foreign Policy" to the homes of the American people by radio. The thousands of letters received since the series began testify to its success. NBC in Washington invites further letters of comment and criticism, not only from listeners in this country, but from the service men and women who will hear this program in all parts of the world, through the facilities of the Armed Forces Radio Service. Send them to "Our Foreign Policy", in care of the National Broadcasting Company, Washington, D.C.

This time the discussion will be on *Your State Department*. Once more Archibald MacLeish, Assistant Secretary of State, acts as chairman. With him are Assistant Secretary Julius C. Holmes, who is responsible for administration in the Department and for the Foreign Service, and Michael J. McDermott, Special Assistant to the Secretary of State in Charge of Press Relations.

PARTICIPANTS

ARCHIBALD MACLEISH

Assistant Secretary of State

JULIUS C. HOLMES

Assistant Secretary of State

MICHAEL J. McDERMOTT

Special Assistant to the Secretary of State

WALTER RANEY

Announcer for NBC

MACLEISH: This is Archibald MacLeish. I want to add a word to what Mr. Raney — our announcer — has said. The group of programs which ends tonight has been so successful in bringing us into closer touch with the American people that we plan to continue it. This program will be continued during the United Nations Conference at San Francisco, and from time to time after that.

Some people think of this Department as a stuffy, ancient organization in a musty, antiquated building on Pennsylvania Avenue at Seventeenth Street—a Department that takes as long to answer a letter as most people take to write a book, and that talks, when it does talk, in the kind of English you see in an international agreement. The theory is that we come to work at ten and knock off for cookies and tea at four. All I can say is that this theory doesn't fit the facts as I've seen them in the last four months. We're lucky to get away at seven and luckier yet not to have to cart a briefcase full of papers home to work on. Not that we're complaining, but facts are facts. How does it look to you after three years of the Army, General Holmes?

HOLMES: *Mister Holmes* is all right, Mr. MacLeish. I've been out of the Army for three months now. How does it look to me? Well, sometimes I feel that I'd be willing to swap for a foxhole.

MACLEISH: You've had 25 years of it, Mr. McDermott. How are you bearing up?

McDERMOTT: I'll agree with Mr. Holmes. Maybe the first 25 years are the hardest. But "commuting" to San Francisco to make arrangements for press and radio coverage of the United

¹ Broadcast over the network of the National Broadcasting Company on Apr. 7, 1945, the seventh and last in a series of broadcasts sponsored by the Department of State.

Nations Conference out there doesn't make life in the press end of the Department any less complicated.

MACLEISH: Mr. Holmes has just recently returned to the State Department after a 29-month tour of duty in the Mediterranean and European theaters of war, where he was a member of General Eisenhower's staff. Before that he was in business, and in the Foreign Service of the United States for 14 years, serving in France, Turkey, Rumania, and Albania, among other places. Mr. Holmes, will you start out by giving us a line on the size of the State Department and the Foreign Service?

HOLMES: Well, Mr. MacLeish, the last total I saw ran close to 10,000 employees in all—9,580, to be exact.

MACLEISH: And of course they're all graduates of Harvard and Groton?

HOLMES: Well, *you're* not, and *Mac* isn't and *I'm* not, and neither, for that matter, are more than 99 percent of the others. Actually, they're a pretty good cross-section of the country's population. They come from all States and a great variety of educational institutions and all sorts of backgrounds. In fact, anyone who passes the Foreign Service examination is eligible for appointment as a Foreign Service officer of the United States. Personnel for the Department here in Washington are selected through regular Civil Service procedure.

MACLEISH: Even a Yale man can get in, if my experience proves anything. But go on about your 9,500 workers. Where are most of them stationed?

HOLMES: About 3,300 are here in the Department, scattered around in 18 different buildings, large and small, in crowded Washington. The rest—over 6,300—are in the Foreign Service, stationed abroad. I want to stress this: it is the Foreign Service of the *United States*, representing not merely the State Department, but the people and Government of the United States.

MACLEISH: And they haven't had a very easy time of it, either, I understand, especially in countries where war conditions and inflation have made it difficult for them even to exist on the modest salaries they get in United States dollars. Government-pay scales don't go far even in Washington.

HOLMES: It's more than an economic problem, Mr. MacLeish. Sometimes it's one of actual physical danger. When I was in Antwerp last December I found that one of our Foreign Service men, Jim Keeley, had been bombed out of his billet five times by V-1's and V-2's. But he did a man-sized job every day in spite of that. I've just had the pleasure of signing a letter of commendation to him, based on reports of the Army Base Commander regarding the splendid contribution he had made in the operation of that busy port. And there are Foreign Service people all over the map working under conditions almost as bad as Antwerp. There's hardly a catastrophe anywhere—flood, famine, pestilence, or revolution—to which some Foreign Service representative is not exposed. Especially in wartime, they face very real and constant dangers.

MACLEISH: Yes, I've seen the roll of honor down by the front door of the State Department building. It's mighty impressive—67 members of the Foreign Service have died at their posts over the years.

HOLMES: They've received a good deal less recognition than is due them.

MACLEISH: Mr. Holmes, what sort of work does our Foreign Service do? Some people seem to think its representatives spend most of their time paying diplomatic calls and drinking cocktails.

HOLMES: The Foreign Service includes both diplomatic and consular officials. Our representatives are found in almost every city or seaport of importance everywhere in the world. They serve American business, give aid to U.S. citizens, and help to build up good relations with other countries. They project the United States into the places where they are stationed. And by continuous and careful reporting, they keep the departments and agencies of our own Government fully informed on political, economic, and social developments in those places. Thus the Foreign Service serves as the eyes and ears of the American people throughout the world, which is of special value in time of war.

MCDERMOTT: The report on German plans for World War III, part of which was released to the public last week,¹ is a good example of how the Foreign Service operates as our eyes and ears in wartime.

HOLMES: Yes, Mr. McDermott, Foreign Service officers gathered most of the material for that report, either from their own investigations or

¹ BULLETIN of Apr. 1, 1945, p. 537.

through the cooperation of our Allies. It provides a warning of what to expect from German leaders who are trying to find refuge in neutral countries so they can plan a come-back. They realized that they had lost the war almost a year ago, and began laying the groundwork for the post-war period. They hope to achieve world domination through a third World War. We have ample evidence of that intent.

McDERMOTT: Our press release a few days ago exposed their plans to get German money out of the country, after they had lifted the ban on exports of money several months ago. It showed how they intend to intensify their propaganda to "soften up" the Allies in the post-war period. And it described the plan to revive pre-war German patent rights and cartel connections, to regain confiscated German property through court suits, or repurchase them if necessary, and to get control of scientific facilities in the neutral countries.

MACLEISH: What more did you Foreign Service officers learn about the German post-war plans, Julius?

HOLMES: Well, Archie, in August of 1943 Von Papen, the German Ambassador in Turkey—and he's the self-same Von Papen who violated all the rules when we were neutral before we entered the first World War and whom we deported in 1915—Von Papen told a close friend of his in 1943 that Germany could no longer hope to win the war and that every possible move should be made to save German industrial and military power for the future. Since that time German plans have crystallized. By the fall of 1944 German industrial leaders were actively engaged in executing their plans for the penetration of foreign countries, by exporting capital and sending highly skilled German technicians to areas of safety so that they could be used another day by Germany.

MACLEISH: Can you add any specific cases of that?

HOLMES: As early as November 1943 a representative of the German concern, I. G. Farbenindustrie, assured certain foreign business officials that whether Germany won the war or not, the Farben position in a certain market area would not be impaired—because pre-war cartel agreements with certain firms would probably be renewed.

McDERMOTT: And the Nazis have subsequently laid great emphasis on getting their loot out of the country so that it will be difficult to recover.

HOLMES: Yes, one German agent is now trying to liquidate valuable stolen property, and to place the proceeds (minus his commission, of course) at the disposal of Heinrich Himmler—all under cover, you may be sure. Another agent, working for Hermann Goering, is now in possession of valuable art objects which have been smuggled out of Germany. He is instructed to sell them and invest the money on the best possible terms for Marshal Goering's eventual benefit.

McDERMOTT: I understand the Nazis are also trying to persuade members of certain foreign diplomatic staffs to help them in carrying out their plans.

HOLMES: Yes, Mac, they hope to use these connections not only to get rid of their stolen property, but to help them keep their communications intact.

MACLEISH: Sounds like E. Phillips Oppenheim. But I take it your people are satisfied that they know what they are talking about.

HOLMES: They are, and I am. We Americans are too ready to believe things like this don't really happen. But they *do*. There are villains in the plot. They'll search for every possible loophole in the Allied military plans for controlling Germany. One of the most interesting angles of the German plan is to place technicians where they can be most useful to the Nazi underground in its next bid for power.

MACLEISH: In Germany or outside?

HOLMES: Well, Archie, they'll undoubtedly *try* to keep operating inside Germany. But they are preparing for any eventuality. German technical experts are being sent to foreign countries, or are encouraged to stay abroad. Some of them are advisers in large industries, and have access to the latest scientific developments in their fields. They are told to stay out of the spotlight, and to operate under assumed names, if necessary, for awhile.

MACLEISH: Can you talk about particular cases without exposing our sources of information?

HOLMES: I think so. Of course, we must protect our Service. That is the reason why my answer can't be more specific. However, I can say this:

One Nazi plan involving an elaborate scheme for technical schools was submitted, by a German organization, to the education ministry of a for-

eign government. The plans provided for equipment for the training of engineers, for modern laboratories, and even for the designing of many kinds of machine tools. You see the catch, of course. German teachers and technicians would have been required. . . . And then there was the proposal to set up and equip a complete aircraft-engine industry in a neutral country.

MACLEISH: How about the old Nazi game of propaganda, Julius? Do the Nazis plan to go on stirring up latent prejudices against the Jews, the Negroes, the Communists, the capitalists, and so on?

HOLMES: Yes, of course. They plan to assign certain Nazis to pose as Communists, Socialists, and members of trade-union organizations. The Nazi strategists intend to use these people to penetrate into anti-Nazi circles, in Germany and outside. Some may even try to pass as refugee members of the German anti-Nazi movement.

MACLEISH: And I daresay they will arrange to appear more anti-Nazi than the *real* anti-Nazis.

HOLMES: The encouraging thing is that the Allied governments are fully aware of all this, and determined to prevent the Nazis from getting away with their schemes. That's half the battle. The other half is still to come.

MACLEISH: Now all this is interesting enough, but the other day we were asked pretty pointedly by one of the newspapers what we are going to do to thwart the German plans, now that we know about them. What about that, Julius?

HOLMES: We'll do everything possible, in conjunction with our Allies, to stop them. Detailed plans obviously can't be divulged. You don't inform a gang of conspirators about the countermeasures you are taking until you take them.

MCDERMOTT: The reason we put out a press release on this subject was to warn all decent people, both here and abroad, so that they can be on their guard.

HOLMES: All this intelligence work, of course, is only *one* of the many activities of the Foreign Service. It's primarily a wartime activity. But as members of the proposed world Organization, we'll still have to keep ourselves informed about possible future aggressors after the war.

MACLEISH: Now, as to the Foreign Service and its other activities, Julius: What plans have you made to expand its scope after the war? The policy outlined at Yalta gave it many new responsibilities, at least in Europe.

HOLMES: Yes, we'll have to pursue a much more active policy in the liberated areas of Europe, and, indeed, everywhere in the world.

MACLEISH: That means more emphasis on economic problems, social welfare, education, and the like, as well as on political questions.

HOLMES: Yes. We have never had to deal very extensively with some of these matters before. We'll have to have specialists in many different fields, attached to the various embassies and legations and consulates.

MACLEISH: That will obviously mean a considerable expansion in the Foreign Service after the war. What plans are being made for it?

HOLMES: At present, we have three survey teams in the field—one in Europe, one in the Near East and Africa, and a third in South America. They're making surveys of the need for new methods of operation, housing facilities, equipment, and personnel. Each team is composed of an expert on administrative management, an officer of the Budget Bureau, and a seasoned Foreign Service officer.

MACLEISH: Much of the new personnel that will be needed in the future will be of a technical sort, I suppose, Julius. Specialists in economics and labor problems will probably be in demand, as well as information and cultural-relations specialists.

HOLMES: To say nothing of experts in aviation, petroleum, minerals, and the like, in countries where they are needed.

MACLEISH: How will these men be chosen?

HOLMES: They'll come from all branches of the Government, Archie. The labor specialists, for example, will be selected with the assistance of the Department of Labor. They will be people with a labor background.

MACLEISH: You mean an actual labor background—A. F. of L., C. I. O.?

HOLMES: Wherever we can find persons with the qualifications, yes. We would hope to find some of our new labor specialists in labor organizations such as these.

MCDERMOTT: You might speak about the informational and cultural-relations attachés, Archie. They'll have an important job to do.

MACLEISH: An absolutely essential job. No international organization is going to work unless the peoples of the world can be made to understand each other, and to *understand* each other they've got to talk to each other back and forth—exchange

ideas and skills and knowledge—swap stories and poems and songs—get the feel of each other. Cultural cooperation is a term that sounds high-toned to most people, I know. But we don't mean it the way they used to in the Browning societies. Knowledge and art and poetry and the various techniques and skills are real things—human things—things more real and human than money or international balances of trade or diplomatic maneuvers. They are practical things—useful things—far more practical and useful than most of the things we think of as practical. They are the real currency of international relations. And we have the means now, with modern systems of communications, to put that currency in circulation to the common benefit of the entire world—if we have the *will* to do it.

McDERMOTT: That's a large order, especially with limitations imposed on us by the break-down of communications in wartime.

MACLEISH: I agree, Mac. Our first job will be to reestablish those channels of communication. Not just the cables and radio systems, but those deeper down—those which carry the exchange of ideas and knowledge. I'd like to begin by making American skill a technical knowledge available to the people in the liberated countries, to help them to help themselves. I'd like to export American skill, American know-how, in the original human containers first—I mean by sending people—and in books and films and by other means. The cost would be trifling. The good done to others, to ourselves, and therefore the peace of the world, would be past computing.

McDERMOTT: Many people seem to think, Archie, that the cultural-cooperation program is a sort of decoration, a frill that is the product of some do-gooder's mind. Don't you want to spell out the answer to that?

MACLEISH: It's no frill, or foible, I can assure you. We've got to prepare a climate for peace—the climate of understanding and good-will. By doing this, we stand to gain security for ourselves, just as we stand to gain prosperity here at home by working for higher living standards abroad. We want the world to share its common wealth of culture—of knowledge and of art and skill—because we believe that by this means, not only knowledge and understanding, but the hope of peace will be enhanced. For our part we want to spread understanding of the United States through knowledge of our people and books and music and

scientific achievements; we want to build up confidence in ourselves and in our way of life, by letting the world see how well democracy works.

HOLMES: You asked me for examples a while ago, Archie. Now, I'd like to ask you: What do you mean by international exchanges of knowledge and skill?

MACLEISH: Well, here's an example. Some months ago the University of São Paulo, in southern Brazil, made a request to us for aid in opening a department of psychology. We canvassed the field and were able to get for them the services of an outstanding social psychologist, Otto Klineberg of Columbia University. He is a linguist and is learning Portuguese. In July he goes to São Paulo to start working with a group of advanced students. When he comes home he'll leave behind him a modern psychology department. That will be a real contribution to Brazilian life and to social conditions down there. And when Dr. Klineberg returns to this country, he will bring with him a fund of information about life in Brazil which the people of *this* country badly need—and which he'll be well qualified to give them.

McDERMOTT: Then there are good, down-to-earth examples of the cultural-cooperation program like the work of Dr. Dykstra of the Department of Agriculture, whom we sent to China. By introducing disease-resistant potatoes—and they're good seed potatoes too, Archie—and especially varieties adapted to different soils and climates, he added greatly to China's potential food supply. Before that China had raised only one variety of potatoes, in a very limited area, and with a poor yield.

MACLEISH: Yes, Dr. Dykstra traveled half-way around the world by rail and sea and air with 150 pounds of seed potatoes in his baggage. It was quite a trip, but China now has over 50 improved varieties, furnishing a new food staple in places where rice cannot be grown.

McDERMOTT: And then there's Dr. S. Y. Chen, the Chinese physician who rescued several American aviators behind the Japanese lines in China, after the first air raid on Tokyo in 1942. He took care of those flyers in his small hospital for a month, and guided them to safety in free China. At the suggestion of Major Ted Lawson, who wrote *Thirty Seconds Over Tokyo*, the State Department invited Dr. Chen to study surgery in the United States for two years at the expense of this

Government. He will take back with him new surgical skills, to be passed on to other Chinese doctors. But before we leave this subject altogether, I'd like to add one more example, this time as to what technological aid to other countries will mean to them and to us, after the war. I mean John Savage's plan for a huge dam across the Yangtze River in China—the biggest dam in the world, one which would outproduce Grand Coulee and Boulder Dams put together. The plan was drawn up at the request of the Chinese Government and of course is only in the preliminary stages.

HOLMES: Jack Savage is an outstanding example of a great civil servant. He's been in Government service for 42 years, and has designed many of our greatest dams, including Grand Coulee and Boulder, incidentally. The State Department arranged with the Interior Department for him to go abroad as a consultant to various governments, including Palestine, Afghanistan, India, and China.

MACLEISH: Of course, the general idea of damming the Yangtze is nothing new. The Chinese have been talking about it for years. The huge dam Savage proposes, if it goes through, would do much to end the floods that have always plagued central China. It would help to raise living standards by enabling China to industrialize more rapidly and by furnishing cheap electricity to the people, and would open up the Yangtze for added river traffic.

MCDERMOTT: And incidentally by developing that huge region, the project would open up a tremendous new market for manufactured goods—United States goods, among others.

MACLEISH: Another thing: To get people and ideas moving freely back and forth, you've got to lower the barriers to travel and migration wherever this can be done in the national interest. One complaint that often turns up in the State Department is that we haven't always handled visas impartially—that we have allowed, say, Vichy French collaborationists to come in while keeping Spanish Republicans out. How does the visa system operate, Julius?

HOLMES: Right now, of course, we're operating under wartime restrictions. *Security* is the first consideration. All visas must be cleared with Washington in advance, and they are carefully checked, you may be sure. We have leaned over backward to avoid taking chances—with the re-

sult that when Hitler wants to get his agents into this country, he brings them in by submarine, instead of through the front door.

MACLEISH: But what about the charge of partiality?

HOLMES: Well, Archie, at least 90 percent of all people we exclude are those suspected of connections with the enemy. I know of no case of a Spanish Republican or other anti-Nazi being excluded, unless he was suspected of a connection with the enemy, or was found to be ineligible under the law laid down by Congress. The act of 1918 excludes advocates of violent revolution, and persons convicted of serious crimes. Perhaps we have made mistakes from time to time. We're not 100-percent perfect. But we do our best to be impartial in carrying out the law.

MACLEISH: Now, to change the subject a bit: Our information policy here at home is a two-way proposition, like our cultural-cooperation program abroad. We study letters to the Department very carefully—and they are coming in at a rate of about 600 a day now. These are the so-called public-comment letters, in which people tell us what they think or ask questions about our foreign policy. We also compile periodic summaries of what the press and radio are saying on current issues in our foreign policy. And we study the public-opinion polls with great care.

HOLMES: That isn't the *only* consideration in formulating foreign policy. But it is one of the important things.

MACLEISH: You might say it's one of the vital things. No foreign policy in a democracy is any better than the public support it has. And you can't have public support without public knowledge. The foreign policy of a democratic country *must* reflect the people's will.

HOLMES: And it's a good thing we do. If a foreign policy is not actively supported by the people, it represents only the pious hopes of the officials who pulled it out of thin air.

MACLEISH: Now, I'd like to go into the other aspect of our information work: getting news on our foreign policy *to* the people. We have good channels such as our DEPARTMENT OF STATE BULLETIN for getting information to the experts, but it takes press and radio to get it to the people. That's the special job of Mike McDermott here. Mac, suppose you tell us just how a news release gets born.

McDERMOTT: Well, Archie, a press release comes about in several ways. Sometimes a Department officer has something he thinks should be released, and our office works it out with him. Sometimes our office spots news in the Department's telegrams or memoranda which we think should be made public. We then work it out with the Departmental people who are handling the problem and submit it to the top with our recommendation. Sometimes a newspaper report calls for comment. We go to the responsible officer in the Department and say "It seems to us that this calls for comment. It's something on which we think the public should be informed. Let's consider whether the facts can't be made public".

MACLEISH: Of course you know better than I, Mac, that the correspondents in the press room—representing the wire services and radio networks and many individual newspapers as well—are not always satisfied with our handling of the news. Leon Pearson, who represents the International News Service at the State Department, had this to say in a magazine article last month:

"... to many State Department officials the sound of the word 'press' has the same psychological effect as the word 'goblin' to the mind of a child. The Department wants the public to know everything, but hesitates to tell them anything; it suffers from timidity and an exaggerated sense of the horrible consequences of disclosure. The Department shrinks from publicity, yet continues to cry out for an informed public opinion." That's the way Mr. Pearson puts it.

McDERMOTT: Well, we're taking the initiative more and more in getting the news out to the people. This radio series itself is evidence of that. What the press doesn't always take into account is that we can't operate like a newspaper. Every statement that is made by the Department is official—so the facts have to be carefully checked and rechecked, sometimes several times, before the story can be released. But most of our work is more direct, answering queries on the spot, and we try to get the news out quickly.

MACLEISH: Mac, you might describe the various channels you use to get information to the press.

McDERMOTT: Well, the simplest means is the handout—the routine release, telling of appointments or public statements of officials in the Department. The texts of speeches are particularly important, for they are really well thought-out

statements of policy. Then there are press conferences. The Secretary, Under Secretary, or some other top official meets the press almost every day. These conferences are often arranged at the request of the press, and they are usually attended by anywhere from 25 to 50 reporters. Some of the material released in this way is for background only—that is, not to be quoted directly. And, very often off-the-record explanations are given, not for publication, but to help the press interpret the news. A complete transcript is made of each conference and is available to the correspondents. Then a third method of meeting a press query is to issue a statement for quotation—which is usually attributed to a "Department spokesman".

MACLEISH: All of which keeps you pretty busy, I've noticed.

McDERMOTT: Yes. Our office functions 24 hours a day. We get queries from the correspondents based on the latest press bulletins from all over the world. Most of the questions come in by telephone. We do our utmost to answer them immediately. If we can't, we bring them up at the Secretary's press conference. Those are the toughies. The Secretary is warned beforehand as to what is coming up, and he gets the answers ready.

MACLEISH: And the various specialists in the Department, of course, talk to correspondents on subjects in their fields, don't they?

McDERMOTT: Yes, we arrange these individual conferences. We try our best to meet every request for an interview. Usually such conferences are for background only, but sometimes the officers of the Department can be quoted.

MACLEISH: One common criticism in the press room is that, in the past, certain writers have obtained access to important documents for exclusive stories. The other reporters naturally feel that all official documents made public should be made available to all members of the working press, if they care to use them.

McDERMOTT: And we agree, absolutely. That's our policy. Of course, when a correspondent digs up a story for himself, it's his. The Department does not divulge that he is working on it. As soon as he publishes it, though, and inquiries come in from other correspondents, the same information is made available to them immediately.

MACLEISH: One man writes from New York to ask, "Is there any real necessity for the se-

crecy surrounding international negotiations and conferences?"

McDERMOTT: The answer to that is *yes*, if he means conferences like Casablanca, Tehran, Cairo and Yalta. For one thing, you have security considerations. If the meetings were reported in the press at the time, the enemy might very well make attempts on the lives of the United Nations leaders.

MACLEISH: Then you've got to have some privacy in order to have free negotiations. Every newspaperman recognizes that fact.

McDERMOTT: On the larger conferences, our policy is to throw them as wide open as possible to the press, as we did at Mexico City, and plan to do at San Francisco. That's a basic part of our information policy.

MACLEISH: There has also been criticism of the delay in announcing the Yalta agreement on the voting procedure in the Assembly of the world Organization, whereby we agreed to support the request of the Soviet Union for votes for the Ukrainian Soviet Republic and the White Russian Soviet Republic if the Russians asked for them at San Francisco, and whereby we reserved the right to ask for two additional votes for ourselves if the San Francisco conference acted favorably on the Russian proposal.

McDERMOTT: Yes, that created quite a furor in the press room.

MACLEISH: And it came as a complete surprise to a good many of us. However, there were reasons, as the Secretary has stated in a recent press release, for withholding the announcement. It was felt that the result of the conversations at this point should be communicated, first, to the American Delegation, since the question of whether the United States would ask for additional Assembly votes for itself was left open at Yalta. But that didn't make it any easier for those of us with an information program to worry about. I guess you and I will have to write it off, Mac, as another example of the difficulty of running the information end of foreign affairs.

McDERMOTT: There have been plenty of other examples over the past 25 years, and there will be plenty more ahead. When that story broke we were besieged by the press for a statement or a press conference. We immediately arranged with Mr. Stettinius to meet the press at noon the following day. The reporters, meanwhile, prepared for the conference by making up a list of 27

of the toughest questions you ever saw, and 6 more were added at the conference. The Secretary did not attempt to toss off answers, but took the entire list of questions under advisement, and on Tuesday of this week held another conference at which he answered every issue raised by those questions. It was at that time that the President's decision not to ask for extra United States votes was announced. The Secretary made clear that the matter would be left up to the San Francisco conference.

MACLEISH: An equally good example of how the State Department serves the press was the earlier story of the voting procedure in the Security Council of the proposed world Organization. Suppose you tell that one, Mac.

McDERMOTT: Well, the first announcement described how each of the five large powers would have a veto over the use of force. And it pointed out that in the peaceful settlement of disputes, any nation that was involved would be excluded from voting. Representatives of the *Christian Science Monitor*, the *New York Herald Tribune*, and other papers studied the announcement, and came up with the conclusion that there was a secondary veto power by which any major power with a permanent seat on the Security Council could prevent even *peaceful* action being taken to solve a dispute in which it was not involved, or prevent even an investigation from being made.

MACLEISH: So they came to the Department for more light on the matter.

McDERMOTT: Yes, and after conferences among the experts on the international Organization, the Department put out a brief written statement confirming some of the press interpretations that had been made. But that still didn't satisfy the eagle-eyed members of the press. So a more complete statement was drawn up, after an all-day session with the experts, which was released at Under Secretary Grew's press conference just two weeks ago.

HOLMES: That's quite a story.

McDERMOTT: We haven't reached the end, though. At Mr. Grew's press conference, Dr. Leo Pasvolsky and Alger Hiss, two of our top specialists in this field, were on hand to sit down with the reporters and answer questions. They made the State Department's interpretation clear: That no big power in the Security Council would be able to block discussion of any dispute, although a big power could block a formal investigation or

peaceful action to settle a dispute in which it was not involved.

HOLMES: And it was also pointed out that any big power would think not twice, but ten times, before it vetoed either an investigation or peaceful action to settle a dispute.

MCDERMOTT: I understand, too, Archie, that you took a whack at the press statement, getting it into language that could be understood by the layman. But the main point is, we made every effort to inform the members of the press when they raised questions.

MACLEISH: I'd like to take a minute to try to sum this discussion up. We agree, to begin with—and agree pretty emphatically—that life in the Foreign Service of the United States is not all cookies and tea—that, on the contrary, it's often bombs before breakfast and always hard work and plenty of it. And that goes, without the bombs but with emphasis on the work, for the Department of State here in Washington.

We feel pretty strongly that the Department's efforts to increase understanding between nations by forwarding the exchange of knowledge and ideas and art and skills between them is one of the most important things this Government can do in the field of foreign relations—that it is about as far from being a frill or furbelow as you can get in this tragic but yet hopeful world. We see the Department's information work as an attempt not only to tell the country about foreign policy but also to make foreign policy rest, as it may rest in a democracy, upon the people's understanding and belief. Finally—and as regards this whole series of broadcasts—we feel, for our part, that the Government of the United States very definitely has a foreign policy, that that foreign policy is shaped to give effect to the will of the people of the United States, and that the more the people of the United States know about that policy, and the more that policy draws its strength from the people, the stronger and more prosperous and peaceful the United States will be.

ANNOUNCER: That was Assistant Secretary of State Archibald MacLeish. With him were Assistant Secretary Julius C. Holmes and Mr. Michael J. McDermott, Special Assistant to the Secretary of State in Charge of Press Relations.

This was the last of seven programs in which NBC's University of the Air has presented top officials of the State Department. If you would

like to receive a pamphlet containing all seven broadcasts, write to the Department of State, Washington 25, D.C.

Next week NBC's University of the Air will bring you the views of two key members of the Senate Foreign Relations Committee on the coming United Nations Conference on International Organization, Senator Tom Connally of Texas, Chairman of the Foreign Relations Committee and a member of the United States Delegation to the San Francisco Conference, and Senator Warren R. Austin of Vermont, a member of the Foreign Relations Committee. Senators Connally and Austin were both members of the United States Delegation to the recent Mexico City conference. They will discuss with Sterling Fisher, director of the NBC University of the Air, the relationships between the Chapultepec conference and San Francisco, and analyze some of the questions yet to be settled in *Organizing for Peace*.

Listen in next week for answer to such questions as these:

Voice No. 1: Will the Act of Chapultepec affect our stand at San Francisco?

Voice No. 2: What about voting procedures in the new world Organization?

Voice No. 3: Is the Senate likely to approve a treaty setting up a world organization based on the Dumbarton Oaks Proposals?

ANNOUNCER: This program came to you from Washington, D.C. This is the National Broadcasting Company.

Relinquishment of Extraterritorial Rights

Canada-China

The American Embassy at Chungking has informed the Secretary of State that ratifications of the Treaty Between Canada and the Republic of China Concerning the Relinquishment of Extraterritorial Rights and the Regulation of Related Matters¹ were exchanged on April 3, 1945 at Chungking. The treaty, which was signed at Ottawa April 14, 1944 and was accompanied by an exchange of notes, became effective immediately upon the exchange of ratifications.

¹ BULLETIN of May 13, 1944, p. 458.

United States Policy Regarding Commodity Agreements

Address by BERNARD F. HALEY¹

[Released to the press April 5]

Fundamental in all plans for the establishment of a durable peace is the necessity of international collaboration for the maintenance of economic stability and for the achievement of higher levels of real incomes throughout the world. In the development of any general program of international action directed to these ends, attention must be given to the special problems of certain individual commodities of world-wide importance, the conditions of whose production are such that, unless they are given some attention, they may well be, or may become, serious sources of economic maladjustment. Hence it is important that we should make a place in our general program of foreign economic policy for international collaboration with respect to such individual problem commodities, and should insure that neglect of these commodity situations will not endanger the success of our general program directed to the expansion of world trade, the attainment of high levels of employment and income, and the maintenance of economic stability.

International collaboration with respect to a particular commodity problem usually takes the form of a commodity agreement between two or more governments.² International collaboration may take the form of a loose type of arrangement between the governments of countries having an important interest in a particular commodity for joint discussion and study of the international problems of that commodity. Examples of such an arrangement are the Rubber Study Group of the Netherlands, United Kingdom, and United States Governments, and the proposed international petroleum agreement between the United

Kingdom and the United States.³ Broadly speaking, the function of commodity arrangements of this type is to provide a convenient and informal means by which the possibilities of promoting greater stability in the conditions of production and trade for a particular commodity may be canvassed, opportunities for the future expansion of demand may be explored, and possible anticipated difficulties may in some measure actually be prevented from developing without quantitative regulation of production and trade necessarily becoming involved at all.

In some cases however it may be necessary to have recourse to the regulation of international trade in, or production of a particular commodity under, an intergovernmental commodity agreement. Export and import quotas are the most usual means by which international control may be exercised, but prices may be directly fixed, and production controls of various sorts may also be involved. Examples of this restrictive type of commodity agreement are the pre-war arrangements with regard to rubber and sugar, and the present agreement with regard to coffee.

The entire inter-war period from 1919 to 1939 was marked by the growth of commodity-control schemes, both national and international. Some of these controls were private in character; others were under government auspices. Several of the controls antedated the economic collapse of 1929, but the advent of the world depression greatly increased their scope and number. Detailed research with respect to the most important commodities made subject to international-control schemes shows that the major factors responsible for the spread of commodity controls in this period were active even before the general economic collapse of 1929. They fall under three headings: First, the rapid rate of technological progress with the resultant effects on supply. Technical progress is broadly interpreted to include such disparate factors as the introduction of the tin dredge, the

¹ Delivered before the semi-annual meeting of the Academy of Political Science in New York, N. Y., on Apr. 5, 1945. Mr. Haley is Director of the Office of International Trade Policy, Department of State.

² Private international business arrangements with regard to commodities of the cartel variety are not considered in this paper.

³ BULLETIN of Feb. 4, 1945, p. 161, and Aug. 13, 1944, p. 153.

application of machinery on new, level wheat lands, the use of higher yield varieties of sugar cane, and the opening up of new low-cost coffee and cotton plantations. The second factor was the growth of economic nationalism and the accompanying desire for national self-sufficiency, which frequently led to the stimulation of high-cost production and the shielding of high-cost producers from foreign competition. A third circumstance was the chronic surplus-supply situation in the case of certain commodities which prevailed in the inter-war period as a result of the stimulus to the production of these commodities which occurred in the first World War. This term, *surplus-supply situation*, is used here to refer to cases in which the rate of production of a commodity is so high, relative to demand, that the whole supply can be disposed of only at prices regarded as ruinously low. The term *surplus supply* should not, therefore, be taken to imply that there necessarily exists an actual stockpile of abnormal size, although the latter may quite promptly come into existence if a price-support policy is put into effect.

There seems no good reason to suppose that, following the present war, the impact of technology in revolutionizing raw-commodity production will be less intense than in the preceding quarter century, though, granted high levels of industrial production and employment, the consequences of this expanding production upon prices may be less drastic than it was in the depression decade following 1929. Neither is it likely that governmental intervention on a national basis will automatically come to an end with the conclusion of hostilities. Furthermore, it seems reasonably clear that the war itself will give rise to a number of additional problems of adjustment in raw-material production, arising out of the wartime shifts in the international production pattern and the stimulus to the development of new productive capacity that has occurred. For example, the nations that have collaborated in fighting the war against the Axis powers, shut off from their normal sources of supply of many items, have greatly expanded their own output of those products that formerly were obtained from enemy or enemy-occupied territories. A similar wartime expansion of many commodities has no doubt also occurred within the enemy areas. When the war ends and old sources of supply are reopened there

may be large surpluses of these commodities, in spite of the high level of world demand that should also prevail. A surplus-supply situation is also likely to arise in cases among some of the metals the production of which has been expanded many times over to meet a war demand that has been much heavier than normal peacetime requirements.

It follows that, in the case of a number of important primary commodities, we are likely to have a surplus-supply situation with which to deal after the present World War is over, or in some cases even before the end of the war. So far as we are successful in obtaining the collaboration of other nations in a broad program directed to the expansion of international trade and investment and the maintenance of high levels of production in the great industrial nations, the magnitude of such surpluses should be substantially reduced. Certainly the indirect benefits of such a broad program in stimulating the demand for raw materials should make an important contribution toward easing the problems of primary producers. Yet there are almost certain to be some commodities, particularly primary products, that will continue in surplus supply even though we may be successful in our efforts directed to the reduction of trade barriers and to the attainment of high levels of industrial production. There will be a residual of individual commodity problems which will have to be dealt with by means of international collaboration and in some cases by commodity agreements.

Commodities that are likely to continue in surplus supply for a long time, in the absence of positive government action, are in the main commodities the supply of which is relatively unresponsive to changes in price. Even though the price may decline greatly, the producers do not quickly contract their output. Such commodities are also, by an unfortunate coincidence, likely to be the sort of commodities for which the demand is relatively inelastic. Even though the price may decline substantially, the quantity taken off the market increases relatively slightly; the supply remains unabsorbed except at ruinously low prices. Under such circumstances, which are in general the circumstances characteristic of many primary products, a surplus-supply situation is not self-correcting—or so far as it is self-correcting, the suffering involved in the process for the producers

of the commodity is likely to be so distressing that nations are unwilling or unable to permit the "natural" process of readjustment of supply to demand to proceed.

If the commodity characterized by such a chronic surplus-supply situation happens to be an important one in the economic life of a nation, as is frequently the case, then the situation presents a number of serious problems for other nations as well. In the first place, the great decrease in price for the commodity is likely to create a chronic depression among the producers of the commodity, reducing their purchasing power and in fact the ability of their nation to buy abroad, and thus also reducing its demand for the products of other countries. Such a situation may thus contribute to undermining efforts to maintain high levels of employment and production generally.

In the second place, the government of the country producing such a commodity may find itself compelled to buttress the position of its producers of the commodity by a price-support program, by the reservation of domestic and colonial markets for their own producers, and other unilateral methods of domestic relief. If there are many commodities in surplus supply in the post-war period, such unilateral action by a number of different countries would make it extremely difficult to work out successfully the multilateral arrangements for the reduction of trade barriers and the elimination of discriminations that are so much to be desired. Properly conceived and executed international commodity agreements would enhance the chances for success of the general program for the relaxation of trade barriers.

It is true that experience with past international commodity agreements has been such as would cast some doubt upon the possibilities of reconciling the characteristic methods of international commodity agreements with the requirements of a general program for the all-around reduction of trade barriers or, indeed, of any broad program for expansion of the world economy. The constructive economic purposes which commodity agreements might have served in correcting the basic causes of maladjustment in the industry were often lost sight of in the urgency of providing immediate relief for the producers of the distressed commodity, or in merely satisfying the producers' desire for higher prices. Generally speaking, in-

ternational commodity agreements in the past have been largely concerned with developing effective means for restricting international trade or production in order to provide, at a minimum, a tolerable basis for survival of all the national producer-groups concerned, pending a change for the better in the industry's economic fortunes. In some cases, the control schemes went far beyond this minimum objective and—whether by original design or by a gradual process of yielding to the temptation to exact higher prices—turned into instruments of monopolistic abuse. In either case, however, the emphasis in past regulation schemes has been on the restrictive aspects of such agreements.

It should be recognized, however, that most of the commodity agreements in the past have been agreements between the governments of producing countries. Consuming countries have seldom, if ever, been adequately represented. Furthermore the emphasis has been upon the restriction of output and the maintenance of prices, and little effort has been made under the agreements to remove the basic causes of the maladjustment of supply and demand.

It is evident, then, that, in spite of the expansion of world trade that we hope to achieve, there are likely to be a number of important commodities, particularly primary products, that will be in chronic surplus supply; and that intergovernmental collaboration with regard to such situations is desirable if high levels of employment and production are to be generally maintained and if multilateral action directed to the reduction of trade barriers and the elimination of discriminations is to be successful. It is also to be noted that past commodity agreements of a restrictive variety have in important respects been defective. The use of commodity agreements in the post-war period should conform to certain specified requirements, designed to insure that their effects will be remedial and their restrictive features will be formulated with a view to the public interest.

The emphasis in making corrective adjustments should be first upon the maximum possible stimulation of demand and only last upon a curtailment of production and trade. Although it offers serious difficulties, concerted action to find new uses or to stimulate demand in existing uses for a commodity in surplus supply is almost certain to be a less painful solution than the drastic reallocation of

resources which would be called for if the problem is attacked primarily from the supply side. If the attempt to stimulate demand proves inadequate and the development of burdensome surpluses threatens to lead to economic distress and possibly to unilateral action by the producing countries, then a reallocation of resources should take place. An intergovernmental arrangement participated in by consuming and producing countries, and encompassing financial and other aids to facilitate the readjustment, may induce the affected countries to liquidate extra-marginal capacity. In such cases measures temporarily setting production or export quotas or allocating markets may be a necessary means of easing the transition for the countries most affected.

Administration of the requirements to which any such international commodity agreement should conform should be entrusted to an international economic organization which should have the appropriate research, consultative, policy-recommending, and administrative functions necessary for the integration of policy with regard to commodity agreements into the broader framework of international economic collaboration.

Such an international economic organization, once it is established, should see to it that international commodity agreements between the member governments conform to the following requirements.

1. That no international commodity arrangement involving the limitation of production or exports or allocating markets should be established until after:

(a) An investigation of the root causes of the problem which gave rise to the proposal;

(b) Determination that a burdensome surplus has developed or threatens to develop;

(c) Determination that the conditions cannot be corrected by the operation of normal market forces;

(d) Formulation of a program of adjustment believed to be adequate to insure substantial progress toward solution of the problem within the time limits of the arrangement.

2. That any international commodity agreement which is adopted should operate in accordance with the following principles:

(a) It should be open to accession by any interested country.

(b) In any such arrangement the countries ad-

hering thereto which are largely dependent for consumption on imports of the commodity should have together a voice equal to those largely interested in obtaining export markets for their production of the commodity.

(c) In any such agreement provision should be made, whether through the maintenance of reserve stocks or otherwise, for assuring the availability of supplies adequate at all times for world consumption requirements at reasonable prices.

(d) Provision should be made for insuring that there are increasing opportunities for supplying world requirements from countries able to supply such requirements most effectively.

3. And finally, that an international commodity arrangement should remain in effect for a limited term, such as five years or less. Renewal should be conditioned upon a prior study and public report as to the manner in which it has conformed to these principles and as to progress that has been made in eliminating the underlying problem.

Without entering upon a detailed examination of each of these principles, attention may be called especially to those provisions which place a joint responsibility upon the parties to an international commodity agreement for developing an acceptable program for removing the basic maladjustments in the industry so far as the causes for such maladjustments can be said to lie within the industry itself.

In some cases the readjustment of the industry might require the reallocation of resources and the relocation of producers and workers in particular producing areas. To effect these shifts, measures of technological and financial assistance may be needed to enable countries to establish new industries or expand old ones, to resettle and re-equip agricultural producers for the cultivation of commodities promising better incomes, and to expand basic resources, such as transportation and electricity, for the development of industry and agriculture. The preparation and negotiation of the details of such programs would unquestionably be a matter of considerable complexity, in which national and international agencies, such as the proposed Organization for Food and Agriculture and the proposed International Bank for Reconstruction and Development, might be expected to participate.

In other cases it might be found that the requirement of a program to remove the basic causes

of maladjustment in the industry could be substantially satisfied by agreement to limit or eliminate various national measures to support commodity prices and the incomes of primary producers, such as crop loans, guaranteed prices, export subsidies, benefit payments to producers, import restrictions, and preferential trade arrangements. Such policies frequently protect high-cost production and thus limit world markets for the products of more efficient producers. In this connection it should be pointed out that production or income subsidies to producers in importing countries tend in the same manner as export subsidies to increase production relative to demand and thus to depress world markets. Importing countries must, therefore, share with exporting countries the responsibility of bringing about a better balance of world production and consumption. It is quite possible that in some instances, particularly where world demand for the commodity shows a normal secular rate of growth, international agreements to limit or reduce subsidies, import restrictions, and preferences would suffice to ease the problem satisfactorily and thus make other steps unnecessary.

In general the basic objectives of our policy with regard to international agreements as to commodities in chronic surplus supply are as follows:

- (a) To enable countries to find solutions to particular commodity problems without resorting to unilateral action that tends to shift the burden of their problems to other countries and thus provokes retaliatory measures and economic warfare;
- (b) To prevent or to alleviate the serious economic and political problems which may arise when, owing to the difficulties of finding alternative employment, production adjustments cannot be effected in a reasonable time by the free play of market forces;
- (c) To provide a period of transition which, with the assistance of such national or international measures as may be appropriate, will afford opportunities for the orderly solution of particular commodity problems by agreement between the participating governments upon a program of over-all economic expansion and adjustment designed to promote a shift of resources and manpower out of over-expanded industries into new and productive occupations.

A proper function of international commodity agreements of this type should be to provide governments with facilities for reconciling their economic policies in respect of seriously depressed branches of primary production with the broad requirements of an over-all program of international economic expansion. Their purpose should be to deal with cases of actual or imminent international economic maladjustment of a serious nature. It is not intended that this form of international economic cooperation should be deliberately fostered as a permanent method of organizing international production. This, however, is not necessarily to say that there will be no need for maintaining a permanent international organization to deal with such commodity problems; even under the most favorable conditions of expanding economy that may be reasonably presupposed, there would presumably still be individual cases of maladjustment serious enough to call for specific action in this field.

Payments From Accounts of United States Citizens

Amended Treasury General License No. 74, issued March 17, 1945, permits, in effect, the free operation of accounts of citizens of the United States who have taken up residence in a blocked country since December 1, 1944.¹

Thus, representatives of American business concerns and other United States citizens who have located in liberated areas or other blocked countries since December 1 of last year are no longer restricted in handling their accounts in the United States, solely as a result of their physical location.

Activities in a blocked account which could not be effected without a license, had the citizen continued to reside in the United States, are not permitted.

The provision of the General License with respect to United States citizens who were located within blocked countries prior to December 1, 1944 continues to be limited to withdrawals of \$500 per month for personal expenses within the United States for themselves or families. Such persons may, of course, obtain funds for their own living expenses abroad under General License No. 33.

¹ 10 Federal Register 2961.

Meeting of the Committee Of Jurists

ANNOUNCEMENT OF MEETING

[Released to the press April 6]

In accordance with the invitation extended by the Government of the United States acting on behalf of itself and the other governments sponsoring the United Nations Conference on International Organization at San Francisco, the Committee of Jurists will convene in Washington on Monday, April 9.¹ So far the following governments have indicated their intention to be represented at the meeting: Belgium, Brazil, Canada, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Egypt, El Salvador, Ethiopia, France, Great Britain, Greece, Haiti, Honduras, Iran, Iraq, Liberia, Mexico, Netherlands, New Zealand, Panama, Paraguay, Saudi Arabia, Turkey, the Union of Soviet Socialist Republics, and Uruguay.

Green Hackworth, the Legal Adviser of the Department of State, will be the United States representative at this meeting, and he will be assisted by two advisers. Miss Marjorie Whiteman, Assistant Legal Adviser of the Department of State, will serve as a special assistant to Mr. Hackworth.

The Committee will hold its sessions in the Interdepartmental Auditorium in the Department of Labor Building at Fourteenth Street and Constitution Avenue and in the committee rooms adjacent to the auditorium.

It is planned to hold the first plenary session of the Committee on Monday, April 9, at 11 a. m. The Secretary of State will open the meeting with a short address of welcome and will preside pending the election of a chairman. This session and subsequent plenary sessions will be public, and the press and photographers will be permitted to be present. Business meetings of the Committee and of such subcommittees as may be established will be private.

The chiefs of mission of all the United Nations have been invited to attend the opening session. It is expected that the members of the Delegation of the United States to the San Francisco conference will attend, together with representatives of those groups especially interested in legal prob-

lems and matters of international judicial organization.

An organization session of the Committee will be held in the auditorium on Monday afternoon at 3 p. m.

In view of the shortness of time available for preparations, this Government will organize and staff the secretariat for the meetings of the Committee. The following officers of the Department have been designated to positions on the secretariat as indicated: Principal Secretary, Mr. Lawrence Preuss; Protocol Officer, Mr. Stanley Woodward; Administrative Officer, Miss Louise White; Press Officer, Mr. J. Kenly Bacon; Public Liaison Officer, Mr. Francis H. Russell; and others to be named. Members of the technical secretariat will include Mr. John Maktos, Mr. John Halderman, Mrs. Alice McDiarmid, Mrs. Pauline R. Preuss, and Mr. Phil Neal of the Department of State. The general services of the international secretariat for the San Francisco conference will also be available on such matters as documents, translations, and interpreters.

PLANS FOR OPENING SESSION

[Released to the press April 7]

Professor Philip C. Jessup, of the Columbia University Law School, and Mr. Charles Fahy, Solicitor General of the Department of Justice, will assist the American representative at the forthcoming meeting of the United Nations Committee of Jurists.

At the opening session on Monday, April 9, Dr. Wang Chung-Hui, Chinese representative on the Committee of Jurists and a former judge of the Permanent Court of International Justice and chairman of the Far Eastern Subcommittee of the United Nations War Crimes Commission, will respond to the opening greeting of Secretary of State Edward R. Stettinius, Jr.

Sir Michael Myers, Chief Justice of New Zealand and Acting Governor General of New Zealand, will also make a brief response to the Secretary's remarks.

Following the opening session, the official representatives on the Jurists' Committee will proceed to the Supreme Court building to attend a hearing of the Court and will then be the luncheon guests of Chief Justice Stone.

Miss Marcia Maylott has been named Secretary to the Technical Staff.

¹ BULLETIN of Apr. 1, 1945, p. 533.

Operation and Disposal of Synthetic-Nitrogen Plants

DISCUSSIONS WITH THE GOVERNMENT OF CHILE

[Released to the press April 3]

During the course of the Inter-American Conference on Problems of War and Peace at Mexico City, discussions were held between the United States and Chilean Delegations regarding the operation and disposal of synthetic-nitrogen plants owned by the Government of the United States.

As a result of those discussions the Secretary of State informed the Minister of Foreign Affairs of Chile that it was not the intention of the Government of the United States that the production by the Government of synthetic nitrogen in plants owned by it and constructed for war purposes, should be continued beyond the period necessitated by the conditions or consequences of the war, except as might be necessary in order to maintain the plants in efficient operating condition for national security from the point of view not only of physical condition but also for the purpose of continuing scientific research and technological progress. The Chilean Minister of Foreign Affairs was also informed that should it be necessary for the Government of the United States to modify this position, there would be consultation with the Government of Chile before action was taken.

The Secretary of State also informed the Foreign Minister of the intention of the Government of the United States to consult with the Government of Chile with respect to such Government plants for the production of synthetic nitrogen, constructed for war purposes, as might not be dismantled, or converted to uses other than the production of synthetic nitrogen, or maintained for national security, if the terms or conditions of cession, sale, or lease of such plants to private interests might create serious problems affecting the production or exportation of Chilean nitrates. Such consultation would be for the purpose of reaching such accord with respect to those problems as would, while protecting the interests of the United States Government, give due consideration to the effects upon Chile, particularly from the point of view of the competitive situation created by the terms or conditions of the cession, sale, or lease of those plants.

Acceptance of Aviation Agreements

[Released to the press April 7]

Poland

His Excellency Jan Ciechanowski, Ambassador of Poland, has transmitted to the Acting Secretary of State for deposit in the Archives of the Government of the United States of America, with a note dated April 6, the instruments of acceptance and ratification by the President of the Republic of Poland of the following documents concluded at the International Civil Aviation Conference in Chicago on December 7, 1944:

Interim Agreement on International Civil Aviation,
International Air Services Transit Agreement, and
Convention on International Civil Aviation.

The instruments of acceptance and ratification are dated at London on March 20, 1945.

Philosopher Accepts Visiting Professorship to Brazil

[Released to the press April 7]

Irwin Edman, professor of philosophy at Columbia University and author of many distinguished works largely in the fields of philosophy of art and esthetic theory, left on April 5 for Brazil, where he has accepted a visiting professorship in philosophy at the National University in Rio de Janeiro. His trip is sponsored jointly by the Brazilian Government and the Department of State of the United States. He will teach two courses at the University in Rio de Janeiro, one on the intellectual tradition in the United States and the other on the philosophy of art.

Dr. Edman is a member of many learned societies at home and abroad; chairman of the philosophy section of the radio program, *Invitation to Learning*; a member of the editorial board of the *American Scholar*; an occasional writer of poetry; and a contributor to many literary reviews. The most recent of his numerous books are *Landmarks in Philosophy* and *Boethius' Consolation of Philosophy*.

The Trade-Agreements Program in a System Of World Cooperation

Address by BERNARD F. HALEY¹

[Released to the press April 4]

The news that we have been reading in our papers for the past several weeks has been good news indeed. From every battle-front come reports of rapid, vigorous, effective drives pushing our enemies continually farther back into their last defensive zones. We are all proud of the magnificent and successful effort our armed forces are making.

None of us here can say how soon the day of complete victory—the day of peace—will come. We know now, however, that it is coming, that it is certain. We know, in short, that we shall be able in the not distant future to realize the purposes to which we dedicated ourselves in this war.

We all know in a general way what those purposes are; we all know for what we have been fighting this war, what kind of a world we want and propose to live in when the war is over and peace has come. In simplest terms, I suppose that the kind of world we are determined to have is one in which we shall enjoy security and prosperity. Security means the highest possible degree of freedom from aggression or threat of aggression. Prosperity means the full and productive use of our resources and abilities for the betterment of our material conditions and for the improvement of our standards of living.

What I want to emphasize to you is that these two primary objectives—security and prosperity—are most intimately interrelated and must be sought through essentially the same methods. They are most intimately interrelated because one is inconceivable without the other. They must be sought by the same methods because if we have learned any lesson from this war and from the experiences between the two wars it is that our own security and prosperity cannot be divorced from the security and the prosperity of the rest of the world. Our goals can be reached only through international cooperation.

Certainly no period better illustrates the close-

ness of the relation between prosperity and security than the decade preceding the present World War. The misguided attempts of individual nations to preserve a dwindling prosperity by raising higher and higher barriers to trade with other nations were followed of course by retaliation in kind. Weaker nations resorted to or were forced by aggressive nations into bilateral bargains that were anything but bargains in fact. Quotas, preferences, discriminations, and all of the other ingenious devices for seeking special treatment of course had the total result of making everyone worse off than ever. More serious however was the fact that these various methods of meeting the problems of the thirties gradually developed into what was nothing more nor less than economic warfare. And economic warfare created an atmosphere in which no nation felt secure—in which security as well as prosperity rapidly dwindled, and the stage was set for another world war.

I am not one who would go all the way in accepting an economic explanation of war. It surely must be admitted however that political unrest and aggressive nationalism are inevitable consequences of economic policies designed to better the material condition of a particular nation at the expense of other peoples of the world. Nations which are economically insecure or underprivileged, especially if they feel that their plight is the result of discriminatory tactics by other nations, are inevitably more ready to resort to force in an attempt to remedy their condition than are nations which are reasonably secure in their material welfare and the inhabitants of which have fair and equitable opportunities to develop their resources and to exchange their products for things which they need and want from other countries.

Finally, one other lesson we have learned from the unhappy events of recent years is that political dictatorship, which is a breeding ground for war and aggression, comes more easily into existence under conditions of economic distress. Perhaps

¹Delivered before the Export Managers' Club of New York in New York, N. Y., on Apr. 4, 1945.

Germany would have gone to war in any case; but surely it is true that the rise of the Nazis in the thirties was fostered in part by the economic distress that characterized the Germany of that period. By and large it is true that peoples who are doing well economically and who have decent living standards are much slower to rise and follow dictators who make fantastic promises than are peoples who are not prosperous and do not have sound commercial relations with their neighbors.

We cannot hope to have prosperity the world over without security, or security without prosperity. The successful conclusion of the conference scheduled to take place in San Francisco later this month should provide us with the machinery for the maintenance of peace and security in the post-war world. But this machinery will be of no avail, and our most earnest endeavors to maintain peace and security must come to naught, unless we and the other nations of the world develop the means of international economic cooperation and eliminate the principal sources of economic friction between countries. If there is to be political and military peace, there must also be an end to economic warfare.

We and other friendly nations have already promised to cooperate for the economic advancement of all. We promised this in the Atlantic Charter and in the United Nations Declaration. We promised it in our various lend-lease or mutual-aid agreements, where in article VII we and other signatory nations commit ourselves to take "agreed action" looking toward the elimination of discrimination and the reduction of barriers to trade among nations and to the expansion of production and employment throughout the world.

We can begin in the very near future to cooperate financially in the reconstruction of war-torn areas of the world. As the world's greatest creditor nation, and as the only major nation emerging from this war with capital plant unimpaired and fully efficient, we are in a position to make a tremendous contribution toward world reconstruction. Private, and also public, investment abroad after the war will enable us to make this contribution. The export of capital is accompanied and followed by the export of goods of all kinds. During the reconstruction period our physical exports will consist for the most part, other than relief supplies of food and clothing, of

capital equipment and the products of heavy industry. These are the things that are most urgently needed, but the world will want all kinds of American goods.

No doubt we will continue for many years to finance a substantial proportion of our export trade by a continuing flow of investment abroad. If however we expect to receive a return upon these foreign investments of ours, we must in time expect to receive an increasing flow of imports of goods and services that will constitute the interest, dividends, and profits upon our foreign business ventures. For the immediate future, however, in the absence of adequate productive capacity in war-torn countries, we shall invest abroad and export the goods required for reconstruction and development without expecting a corresponding return flow of imports.

One proposal for facilitating public and private foreign investment in the post-war period is the Bretton Woods proposal for a world bank for reconstruction and development. This proposal deserves your support. Unless we take positive action to facilitate foreign investment, we cannot even begin to cooperate in the job of world reconstruction.

Another proposal for international cooperation, which also emerged from the discussions at Bretton Woods, is the plan for establishing rules whereby nations would refrain from seeking to take advantage of each other in matters of currency regulation and exchange, and would be assisted in establishing conditions under which it would be unnecessary for them to manipulate their currencies.

Another proposal for cooperative international action is the proposed Food and Agriculture Organization of the United Nations, the objective of which is to further the most efficient and productive use of the world's food and agricultural resources and to assist in the realization of higher nutritional standards throughout the world.

Other plans and proposals are under discussion. What I principally want to talk to you about, however, is the extent to which, and the manner in which, we can cooperate with other nations for the expansion of mutually advantageous international trade. The first, and the best, way in which we can cooperate to this end is by agreement to reduce or eliminate barriers to trade. This means to reduce tariffs, to eliminate preferences and

discriminations, and to get away from all restrictions hampering the free flow of international commerce.

It is easy enough for us to talk about cooperative undertakings to eliminate various kinds of trade barriers as long as we are talking about barriers for which we are not ourselves responsible. The historical fact is, however, that the only species of trade barrier to which we have extensively resorted is our protective tariff. Consequently, if we expect other nations to eliminate preferences and discriminations and other restrictions, we will have to remember that it takes two to cooperate, and that the only thing we can do which will make very much difference is to get to work seriously and energetically on the job of revising our tariff structure to encourage the flow of international trade.

You may have expected that I would respond to your kind invitation to come here and address the Export Managers' Club by talking to you about exports. Instead I am going to talk frankly and seriously to you about imports. As I said before, when speaking of the need for facilitating foreign investment, we cannot for long have an expansion of exports without an expansion of imports. Over a period of time, the only way you can sell a large volume of goods to people who do not use your currency system is to work out some way of providing them with enough of your currency so that they can buy your goods in the volume that you want to sell. One way to do that, of course, is to keep lending them your currency without ever asking them to repay. The other way, and the only other way, of providing your potential customers with the necessary dollar exchange is to encourage the development of a substantial volume of United States imports. When we import we send dollars out of this country. Those dollars shortly come home to roost in the form of demand for United States exports.

This is one basic reason for encouraging a revision of our tariff structure; namely, that we cannot expect to develop our export trade if we put up barriers in the form of high tariffs to prevent potential customers abroad from getting the dollars needed to buy our exports. Equally important is the fact that if we want to persuade other nations to reduce or eliminate various obstacles imposed by *them* which prevent the free flow of United States goods into export markets

we must, as a negotiating Government, be prepared to offer those other nations some concession on our part. The outstanding concession we can offer which will make any difference to the other nations of the world is a lowering of our tariff barriers.

The mechanism which this Government has been employing successfully for more than 10 years to effect by negotiation the reduction of trade barriers hindering the expansion of our export industries is the reciprocal trade agreement. Under the authority of the original Trade Agreements Act of 1934, the President was empowered to enter into negotiations with other countries designed to reduce in each case the most obnoxious barriers to trade. The bargaining weapon which we had in our hands was the authority granted under the act to reduce tariff rates on specific commodities by as much as 50 percent.

The trade-agreements program was a form of international economic cooperation. The record will show that it produced useful results. Through it we succeeded, notwithstanding the war and pre-war handicaps, in making it easier for American producers to sell their goods abroad and for American consumers to obtain at more reasonable prices the foreign goods they needed to enhance their own standard of living. The negotiation of each of the 32 trade agreements entered into during the last 10 years yielded benefits to the bargaining countries in each case in the form of opportunities to sell exportable products in the market of the other country. Thus, the whole program has been effective in decreasing the barriers of other countries against our exports and in encouraging the expansion of our foreign trade and world commerce in general.

We have here a tried and tested technique of international economic cooperation. The Trade Agreements Act, however, expires on June 12 of this year. Unless it is renewed, we shall no longer have the authority to use this proven technique.

If, however, we are to do a really useful job in reducing barriers to our foreign trade and in increasing the two-way flow of commerce between this country and the rest of the world, we need something more than mere renewal of the existing Trade Agreements Act. Under the trade-agreements program, tariff rates have already been reduced by the full 50 percent permitted under the existing statute on about 42 percent of our duti-

able imports on the basis of 1939-value figures. The rates on many other commodities have been reduced substantially, but by something less than the full 50 percent. Finally, there are some commodities on the dutiable list on which tariff concessions would not make very much difference. It is easy to see, therefore, that even if the trade-agreements legislation were to be extended for another three years in its present form we would not be able to do enough under it in the way of negotiating for the reduction or elimination of trade barriers imposed by other nations.

The bill, H.R. 2652, which was recently introduced into the Congress by Representative Robert L. Doughton, Chairman of the House Ways and Means Committee, provides not only for a three-year extension of the President's authority to negotiate reciprocal trade agreements, but also replenishes our bargaining power by authorizing tariff reductions by up to 50 percent of the rates in effect on January 1, 1945 instead of 50 percent of the rates in effect in 1934 when the original act was passed. In other words, the Doughton bill brings the trade-agreements legislation up to date by basing our bargaining power upon present facts instead of upon the facts of 1934.

In this connection, it has sometimes been said that what the Doughton bill proposes is to authorize the President to reduce tariff rates by 75 percent instead of 50 percent. This is not really a correct interpretation of the bill. Obviously, on those commodities on which no tariff reductions have been made in the course of the trade-agreements program, the 1945 rates are the same as the 1934 rates, so the authority to reduce them is limited to reductions of 50 percent. Such commodities represent roughly one third of our dutiable imports. Similarly, for commodities on which tariff reductions of less than the full 50 percent have been made under the trade-agreements program (and such commodities represent roughly one fourth of our dutiable imports), the new authority under the Doughton bill would permit reductions of less than 75 percent from the 1934 rates. The actual authority to reduce rates by 75 percent from the 1934 level would be applicable only to those commodities on which reductions by the full 50 percent have already been made under the previous trade-agreements legislation.

In his message of March 26 to the Congress, recommending adoption of the Doughton bill, the President said, in part:

"... the reciprocal trade-agreement program represented a sustained effort to reduce the barriers which the nations of the world maintained against each other's trade. If the economic foundations of the peace are to be as secure as the political foundations, it is clear that this effort must be continued, vigorously and effectively."¹

In his message on the Bretton Woods proposals the President pointed out that there are many economic problems to be solved by the United Nations after the war and that proposals would be submitted to Congress not only on financial and currency-exchange matters but on the Food and Agriculture Organization of the United Nations, the "broadening and strengthening of the Trade Agreements Act of 1934, international agreement for the reduction of trade barriers, the control of cartels and the orderly marketing of world surpluses of certain commodities", and other matters.²

The renewed and strengthened trade-agreements program and other aspects of our program for economic cooperation fit into the whole structure of international cooperation as envisaged at Dumbarton Oaks in the plan which includes an Economic and Social Council to coordinate international efforts in the economic and social fields. For, as I have said earlier, the success of the Proposals worked out at Dumbarton Oaks and the success over the years to come of the plans to be made in San Francisco will depend in part upon the degree of success we achieve in working out techniques for international economic cooperation, in removing sources of international economic warfare.

The maintenance of world peace will depend on the attainment of a reasonable degree of economic well-being in all nations, and on harmonious, equitable, and mutually advantageous commercial relations among them. Maximum production, exchange, and utilization of goods and services contribute to such relations, and the reduction of discriminations and barriers in trade in turn makes possible the expansion of international commerce.

Continued and expanded efforts under the trade-agreements program are not the only mechanism of international economic cooperation available to us. As I have pointed out, there are

¹ BULLETIN of Apr. 1, 1945, p. 531.

² BULLETIN of Feb. 18, 1945, p. 222.

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many other ways in which we can and must cooperate with other nations. The trade-agreements program, however, is something with which we have had reasonably long and successful experience. All of us here know that we are prepared to cooperate in economic matters and that our own self-interest—our determination to build the world of the future on the firm bases of security and prosperity—requires us to cooperate. One way in which we can insure that the rest of the world will realize this is to continue and to expand our trade-agreements work.

Relinquishment by Spain of Representation of Japanese Interests in the United States

EXCHANGE OF NOTES BETWEEN THE DEPARTMENT OF STATE AND THE SPANISH EMBASSY

[Released to the press April 4]

MARCH 27, 1945.

The Spanish Embassy presents its compliments to the Department of State and has the honor to duly advise, that on Saturday, March 24th the "Ministerio de Asuntos Exteriores" in Madrid notified this Embassy by telegraphic Circular that all activity was to be suspended in relation to the Protection of Japanese interests in the United States.

The above "Ministerio" also adds in the Circular that it will forward by telegraph the name of the nation who in the future is to have charge of this Protection.

The Spanish Embassy wishes to inform the Department of State that the above orders have been complied with, and all the respective Spanish Consulates in the United States have been advised to do the same.

MARCH 30, 1945.

EXCELLENCY:

I have the honor to refer to the Embassy's note no. 165 of December 15, 1941 informing the Department that the Japanese Government had requested the Spanish Government to assume the representation of Japanese interests in the United States and expressing the hope that such repre-

sentation would be agreeable to this Government. I also refer to a note dated December 17, 1941 in which the Government of the United States expressed its agreement to the representation by the Spanish Government of Japanese interests in the United States.

I now perceive that according to the Embassy's memorandum no. 42 (Ex. 80.000) of March 27, 1945 the Embassy has upon instructions from the Spanish Government suspended all activity in relation to the representation of Japanese interests in the United States. I also note that all Spanish Consulates in the United States have been similarly instructed and that the Embassy will be informed at a later date regarding the name of the Government which in the future will have charge of such representation.

The Department of State is informing the appropriate agencies of the United States Government accordingly of the relinquishment by the Spanish Embassy of the representation of Japanese interests in the United States.

Accept [etc.]

For the Secretary of State:

JULIUS C. HOLMES

His Excellency

Señor Don JUAN FRANCISCO DE CÁRDENAS,
Ambassador of Spain.

TELECOMMUNICATIONS—Continued from page 604.

international telecommunications services. It is opposed to complete merger, and does not consider that an adequate case has been made for partial merger. If any merger is undertaken, it hopes that it will be so limited as to permit competition between the different kinds of service, including competition between the cables and radiotelegraph, and that such exceptions may be made, even to this rule, as to provide for special cases.

It believes that the most serious problems confronting us can be satisfactorily dealt with without sacrificing the benefits that accrue from competing operations between American enterprises. It has accordingly proposed that the Congress provide by appropriate means for unifying the control of national policy in international telecommunication. In this manner it believes that we can retain the benefits of our characteristically American methods and deal effectively with other countries, without adopting their patterns of economic life.

Dumbarton Oaks Proposals: Agenda for San Francisco

Address by CLYDE EAGLETON¹

[Released to the press April 7]

I have recently had the privilege of addressing Bar Association groups in six cities—Cleveland, Detroit, Chicago, St. Louis, Shreveport, and New Orleans—and I enjoyed these meetings so much that I welcomed the opportunity of similar discussion with the Boston Bar. It was not only that these groups were composed of able and intelligent persons, who could carry on the discussion at a high level; what impressed me more was the fact that leading citizens in these various communities recognized their responsibility for taking an informed and intelligent position on what I regard as the most important problem which has ever faced the American people. It is not surprising that lawyers especially have accepted this responsibility, for they have a particular interest in the maintenance of law and order anywhere.

On this recent trip, I had the pleasant company of Mr. Mitchell B. Carroll, chairman of the Section of International and Comparative Law of the American Bar Association, and the discussion of the resolutions which he presented on each occasion added to the information and interest of each audience. All of these groups have now, I believe, sent in letters to the Secretary of State supporting the Dumbarton Oaks Proposals in general and making varied suggestions as to particular points therein. At all of these meetings, too, I found evidence of the wide-spread influence of Judge Manley O. Hudson, whose habitat is in this vicinity, though I do not venture to call him a Bostonian, and who with his usual enormous energy has been devoting his time to discussions of the proposed Organization, and particularly of the Court.

My part in this meeting I understand to be a presentation of the Dumbarton Oaks Proposals for your consideration. It is intended that these Proposals should be so considered, by the American people and by all peoples. It was for this pur-

pose that they were made public and for this reason that I am authorized to address you. I hope, however, to hear your own views expressed, for the Department is eager to learn what you think of the plan.

The Dumbarton Oaks Proposals furnish a statement of the structure and principles of an international organization such as the American people have called for. They were prepared by expert representatives of the four powers, and recommended by them to their respective governments. They were then made public by these powers, for study and discussion by the peoples of all countries. After account has been taken of the reactions, criticisms, and suggestions made, a final charter will be drafted by all of the United Nations in a conference which, under the agreement reached at the Crimea Conference, will be held in San Francisco on April 25. When this Charter has been finished, it will be submitted for ratification in accordance with the constitutional processes of each nation. It is hoped that, as a result of this careful consideration, there will be enough agreement to insure prompt acceptance by the various nations.

The proposed Organization is not a superstate. It is based upon the "sovereign equality of states"—a phrase taken from the Connally resolution adopted by the Senate. This does not mean, however, as some seem to fear, that national sovereignty will be carried to such an extreme that members will refuse to accept obligations and thereby impede international cooperation. On the contrary, each member, under the Dumbarton Oaks Proposals, will accept more definite obligations than under the League of Nations, though these obligations are few and carefully defined. Nor does it mean, of course, that every state will carry the same weight and influence in the Organization. The independence of every member state is preserved, and each has the same protection before the law as any other.

The Organization would be open to membership by all peace-loving states, but no state would be

¹ Delivered before the Bar Association of the city of Boston on Apr. 7, 1945. Mr. Eagleton is in the Division of International Organization Affairs, Office of Special Political Affairs, Department of State.

forced to accept membership in the proposed system. However, under the Proposals, no state, whether a member or not, would be permitted to use force or threat of force inconsistent with the purposes of the Organization; no state would be allowed to escape the consequences of its aggressive action on the ground that it was not a member. On the other hand, the gains of membership are clearly to be seen. It is hoped, therefore, that the advantages of membership will be so apparent and the disadvantages of non-membership so obvious that all peace-loving states will be persuaded to join.

The purposes and principles of the new Organization are stated in chapters I and II. Its purposes I summarize in these two quotations: "To maintain international peace and security", and "To achieve international cooperation in the solution of international economic, social and other humanitarian problems".

In order to assure realization of these purposes, certain principles are stated which may be summarized as follows: The Organization would be based on the principle of sovereign equality of all peace-loving states; its members would undertake to fulfil the obligations assumed by them in accordance with the Charter; they would agree to settle their disputes by peaceful means and to refrain from the threat or use of force in any manner inconsistent with the purposes of the Organization; they would agree to assist the Organization in any action undertaken by it in accordance with the provisions of the Charter, and to refrain from assistance to any state against which enforcement action is being undertaken by the Organization. Finally, it is stated as a principle that non-member states should be subject to control by the Organization in so far as may be necessary for the maintenance of international peace and security.

With regard to the structure of the Organization, there would be a Security Council, a General Assembly, an International Court of Justice, a Secretariat, and various subordinate or specialized agencies.

Let us look more closely at the two chief organs, the General Assembly and the Security Council, and in connection with each examine the way in which their respective functions would be performed. It is to be noted that, in the Dumbarton Oaks Proposals, unlike the Covenant of the League, a clear differentiation of function is

made between the Council and the Assembly. The Security Council, as its name indicates, is to have primary responsibility for the maintenance of international peace and security. The field of the General Assembly is cooperative effort in political, economic, and social matters, and the adjustment of situations likely to impair the general welfare. While the Assembly has the right to discuss any questions relating to the maintenance of peace and security, decisions as to enforcement action must be left to the smaller Security Council, which can act more swiftly and decisively. The effort to maintain peace and security might be embarrassed if there were two organs independently making recommendations for that purpose.

The General Assembly would be composed of representatives of all members. Under the Dumbarton Oaks Proposals it is planned as a democratic and representative body, in which each state would have one vote, and in which the rule of unanimity would not prevail as it did under the League of Nations. For ordinary action of the Assembly a bare majority would suffice; for decisions in a number of specified matters a two-thirds majority would be required. Among these matters which would require a two-thirds majority would be recommendations with regard to the maintenance of international peace and security; election of members of the Security Council or of the Economic and Social Council; admission, or suspension of the rights of, or expulsion of members; and budgetary questions.

The proposed Assembly cannot be regarded as a legislative body, in the sense of making laws which are binding upon member states. It is intended rather to study and discuss constantly the international angles of social and economic problems and to make recommendations to member states for their acceptance and common action.

As I said a moment ago, economic, social, and humanitarian matters belong exclusively to the Assembly, which is to oversee all activities in these fields. While this effort is a very important function in itself, we may note in passing that it contributes toward peace and security in that it looks toward the creation of those conditions of stability and well-being which are necessary for peaceful and friendly relations among nations. This is the field of "peaceful change", of "removing the causes of war".

In order to see how this work is to be done, it will be easier if we consider first another part

of the proposed system. Nations have become so interdependent, and their economic and social relationships so complicated, that there is an increasingly recognized need for specialized agencies, each to deal with a certain particular problem. Some such agencies existed, of course, before the war, such as the Universal Postal Union, the Bank for International Settlements, or the International Labor Organization; and of course many such functional agencies were set up by the League of Nations as parts of the League system. Others are now being planned. A conference in London last year discussed the establishment of an international organization for educational and cultural cooperation; at Bretton Woods, plans were adopted for an International Monetary Fund and an International Bank for Reconstruction and Development; at Chicago, plans for an aviation organization were approved, to be established as soon as 20 states have approved the constitution. The Food and Agriculture Organization is already being set up. Studies are being made with regard to other fields, such as trade, commodities, communication, health, and others, in which international cooperation or administration is needed. Each of these would be a separately organized institution with a charter shaped according to its own needs, and varying in range and authority. Each would be planned to have, and would increasingly develop, experience and expertness in its own field.

Having this picture in mind, we may now move a step back toward the General Assembly. Obviously the difficulty with these specialized agencies would be lack of coordination, without which there might be overlapping and confusion of functions and consequent impairment of efficiency. It is therefore provided that the various specialized agencies are to be brought into relationship with the general international Organization by agreements made between each such agency and the Economic and Social Council and approved by the General Assembly.

The Economic and Social Council would be created to assist the General Assembly in coordinating the activities of these specialized agencies, and also to make recommendations with respect to international economic, social, and other humanitarian matters. It would also receive and consider reports from the specialized agencies, examine their budgets, supply information, and in

general perform such functions as might be assigned to it by the General Assembly.

The Economic and Social Council is to consist of representatives of 18 countries elected every 3 years by the General Assembly, and it would act under the direction and authority of the Assembly. Like the Assembly, it would not be a legislative body; it could only recommend, and leave to the member states themselves the carrying out of the recommendations. The Economic and Social Council is authorized to set up expert commissions in economic, social, and other such fields. These commissions would be responsible for the collection and analysis of information, and would serve as advisory bodies for the Economic and Social Council and for the Assembly.

Thus we come back to the General Assembly, which, aided by the Economic and Social Council, and by the coordinated efforts of the specialized agencies, has the responsibility for facilitating solutions of international economic, social, and other humanitarian problems and for promoting respect for human rights and fundamental freedoms. It is a wide and hopeful field of endeavor, limited only by the willingness of human beings to cooperate to these ends. With your aid in making the American people aware of the needs and opportunities in the community of nations, we could hope for large progress toward the goal of creating conditions conducive to stability and well-being among nations, conditions essential to peaceful and happy relations between the peoples of the world. No greater opportunity for leadership was ever given to any people than is now offered the American people, and if they will take this opportunity they can achieve, through use of the machinery just described, social and economic advance of the greatest benefit to mankind.

I turn now to the Security Council, whose function and primary responsibility is the maintenance of peace and security. Since the Security Council has this responsibility, it is so constituted as to give to the great powers most capable of taking effective action against an aggressor a position commensurate with the burden and risk which they must assume. In the structure and procedure of the Security Council, recognition is given to the principle that the weight and influence of members in the task of maintaining international peace and security should be commensurate with ability and responsibility in the performance of this func-

tion. This principle seems to be generally accepted, though of course there would be variation of opinion as to the method by which it should be implemented.

Certain states are designated as permanent members of the Council. In this respect, it resembles the Council of the League of Nations, and also in that the permanent members do not constitute a majority of the Council. There are to be 11 places on the Security Council, of which 5 are to be permanently held by 5 designated states: the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, the Republic of China, and in due course, France. The other 6 members are to be elected for 2-year terms by the General Assembly.

The procedure for voting in the Security Council constituted a difficult problem, which was, as you know, finally worked out at the conference in the Crimea. The solution there agreed upon provided that each member of the Security Council should have 1 vote, and that decisions on procedural matters should be made by an affirmative vote of any 7 members. Decisions of the Security Council on all other matters should be made by an affirmative vote of 7 members including the concurring votes of all the permanent members, except that in decisions relating to the pacific settlement of disputes between nations a party to a dispute should abstain from voting.

This was explained by Secretary Stettinius as being a differentiation between "the quasi-judicial function of promoting pacific settlement of disputes", and the "political functions of action for maintenance of peace and security". In the former case, pacific settlement of disputes, "no nation, large or small, should be above the law"; in the latter case, "a difference is made between the permanent members of the Council and other nations for the practical reason that the permanent members of the Council must, as a matter of necessity, bear the principal responsibility for action".

To explain this formula in more specific terms, no nation which is a party to a dispute would be allowed to vote in the Security Council when the Council is considering such matters as these: Whether the Council should take up a case and investigate to see whether its continuance might endanger peace; whether the Council should call upon the parties to settle their dispute by

means of their own choice, or should recommend methods and procedures of settlement; or whether disputes should be referred to the General Assembly or to a regional agency, or whether legal aspects of disputes should be referred to the Court.

On the other hand, unanimous consent among the permanent members of the Council would be required in such matters as the determination that a threat to or breach of the peace exists, or the use of enforcement measures, or approval of agreements to be made concerning the supply of forces to be made available to the international Organization, or the regulation of armaments, or the suspension and expulsion of members or the admission of new members.

The functions of the Security Council are mostly those of maintaining the peace, and I turn now to the provisions looking to this end, which are found in chapter VIII. The maintenance of peace calls for the peaceful settlement of disputes. I have already noted that the Assembly is to promote conditions under which disputes would not arise, and it is to be hoped that it can in this way assist greatly in removing causes of war. However, I think we can count upon the appearance of some disputes, and provision should be made for handling them.

When a dispute does arise, the disputants are obligated to settle it "by peaceful means in such a manner that international peace and security are not endangered". Members are not required to settle all disputes, any more than individuals are under our law; but, if they do undertake the settlement of a dispute, it must be done in a way which will not endanger peace and security, and they cannot in any case resort to force to bring about a settlement. This is an important point, and an advance over the League of Nations Covenant, under which it was sometimes possible for a state to use force for its own purposes. Under the Dumbarton Oaks Proposals, a state may be called upon to use force in support of enforcement action undertaken by the Organization, but it is obligated not to use force for any other purpose. It is the purpose of the Organization to develop a peaceful society of nations, within which law and justice could grow.

The first stage in the procedure provided for pacific settlement of disputes is that states should settle by means of their own choice any dispute the continuance of which is likely to endanger the

maintenance of peace. Among the means which the disputants can employ are negotiation, mediation, conciliation, arbitration, reference to the International Court of Justice, or perhaps to regional means of adjustment. Disputes do not go *ab initio* to the Council, and in this first stage the Council has no power to take over the dispute and prescribe a settlement. If the disputants cannot settle it by means of their own choice, they must refer it to the Council. The Council, moreover, is authorized then to intervene at any stage of a dispute to ascertain whether it is likely to develop into a threat to the peace, and if and when the Council decides, as it may do at any time, that a threat to the peace exists, it may "take any measures necessary for the maintenance of international peace and security in accordance with the purposes and principles of the Organization."

A very flexible procedure for the adjustment and settlement of disputes is thus provided. The Security Council is not itself a primary agency for settling disputes; its function is to encourage and recommend settlement, rather than to impose a settlement, and to keep constant vigilance lest failure to settle a dispute should produce danger to peace.

Let us now consider what the Security Council can do after it has decided that a threat to the peace or an act of aggression has appeared. In this stage its authority is great, for it represents the determination of peoples everywhere that war should not be permitted again to devastate the world. The Council could recommend measures of settlement and require their acceptance, if such action were found necessary to end a threat to the peace. It could use diplomatic pressure or call for economic sanctions, and members would be obligated to assist in such measures; and finally, it could, if it should prove necessary, call for the use of armed force to prevent or repress the use of force by a determined aggressor.

The effect of the provisions for voting in the Security Council upon these procedures may be described as follows. Any state, or the Secretary General, could bring to the attention of the Security Council any situation or dispute which it thinks might lead to international friction; and there is nothing in these provisions which could prevent any party to such a dispute or situation from receiving a hearing before the Council and having the case discussed. I may add that the

General Assembly also would have an untrammeled right to discuss any such dispute or situation.

When we proceed beyond discussion to the stage of decision, no party to a dispute, whether a permanent member or not, would be permitted to vote on questions relating to the peaceful settlement of disputes. In such decisions, that is, decisions concerning peaceful settlement, the required majority of 7 must include those permanent members which are not parties to the dispute. In other words, a permanent member which is a party to the dispute would have no veto, but any permanent member which is not a party to the dispute would have a veto, if it should care to exercise it. Looking at it in another way, if no permanent member is involved in the dispute, the affirmative vote of each of the 5 permanent members would be required for the Council to take any decisions or action on that dispute.

When the next stage is reached, that of determining whether a threat to or breach of the peace is involved and deciding upon the measures of enforcement which might follow thereafter, the concurrence of all permanent members would be required, in all cases, whether any one of them is a party to the dispute or not.

At this point I am sure the question is in your mind: Where is the Security Council to obtain the armed forces required for the suppression of aggression? The answer provided in the Dumbarton Oaks Proposals is: from the armed forces of member states. Members would be obligated to make contingents available from their own national forces upon the call of the Security Council, when as a last resort it appears that enforcement measures are necessary. The types and numbers of soldiers which each state would be obligated to supply have not yet been decided, and will be stated in agreements later to be negotiated. With regard to these agreements, Secretary Stettinius said, in a recent article in the *Reader's Digest*, that "Each state will determine its own international contribution of armed forces through a special agreement or agreements signed by itself and ratified by its own constitutional processes."¹

The forces to be made available to the Security Council for common action against an aggressor would thus be provided from the national armies

¹ BULLETIN of Jan. 28, 1945, p. 117.

of member states, each in accordance with an obligation voluntarily assumed by itself. It may be noted also that, for the purpose of urgent military measures, members would agree to hold immediately available certain contingents of air forces, ready for combined international enforcement action.

Plans for the use of these armed forces would be made by the Security Council with the assistance of a Military Staff Committee composed of the Chiefs of Staff of the permanent members of the Security Council, or their representatives. Members not permanently represented on the Committee would be invited by the Committee to be associated with it when the efficient discharge of the Committee's responsibilities would require the participation of such a state in its work. The Military Staff Committee would be responsible for planning the use of, and for the strategic direction of, these armed forces contributed by members.

Finally, it is to be noted that regional arrangements or agencies may share in the settlement of disputes and in enforcement action, provided always that these regional arrangements are consistent with the purposes and principles of the Organization, and provided that no enforcement action may be undertaken under them except as authorized by the Security Council.

The third principal organ of the international Organization would be an international court of justice, in which, I am sure, you are especially interested. Unfortunately, little can be said concerning the Court as yet. The Dumbarton Oaks Proposals make it clear that there is to be such a Court and that the Statute of the Permanent Court of International Justice should be continued in force, or used as a basis for a new statute. It is provided, also, that all members of the Organization should *ipso facto* be parties to the Statute of the Court. A conference of jurists has been called to meet in Washington on April 9 to put the statute into shape before the Conference assembles at San Francisco.

I have now given you a general picture of the Organization: The Security Council, a small and effective body with great authority in the field of security and able to take rapid decisions; the General Assembly, meeting in regular annual sessions, with an unlimited field of direction and recommendation, but without legislative power; the Economic and Social Council, continuously at work on international social, economic, and hu-

manitarian problems under the supervision of the General Assembly; and the various specialized agencies, each working expertly in its own field and with their activities coordinated under the direction of the General Assembly; and the International Court of Justice. Ample machinery is thus provided through which states can act together efficiently for their common good if they wish to do so; and no system will succeed unless its members sincerely support it and are willing to work continuously for it.

I shall not take time to discuss the Secretariat, which will, however, be a very important part of the system.

A procedure of amendment is provided in chapter XI, by which amendments initiated by a two-thirds vote in the Assembly become effective when ratified by the members having permanent seats on the Security Council and by a majority of the other members of the Organization.

Finally, the last chapter provides for two immediate problems. One of these is the maintenance of peace during the period until the agreements have been concluded by which national armed forces will be made available to the Security Council. The four powers signatories to the Moscow Declaration agree to consult with each other for this purpose, looking toward action on behalf of the Organization. The other is the problem of dealing with defeated enemy states, and it is provided in the second paragraph of chapter XII that "No provision of the Charter should preclude action taken or authorized in relation to enemy states as a result of the present war by the Governments having responsibility for such action." This means in effect that the international Organization would not in the beginning have responsibility for the enforcement of the peace terms upon the enemy states. This responsibility would be undertaken by the Allied Powers.

I am glad to have had the opportunity of presenting this plan for you, and happy to find you interested in it. As we read the newspapers every day and learn daily of new horrors of modern war, we indignantly and fervently say that this can never be allowed to happen again. But war is an ancient and strongly established institution, and it cannot be eliminated by wishful thinking. It will require concentrated effort and vigilant support by the American, and all other, peoples for the Organization which is to bring war under control; and I sincerely hope that the interest

which is manifested by your presence today will continue, and that your leadership will support the new Organization and help to solve the numerous problems which it will face in the years to come.

Inter-American Institute of Agricultural Sciences

Honduras

The Director General of the Pan American Union informed the Secretary of State, by a letter dated March 26, that on March 19 the Ambassador of Honduras deposited with the Pan American Union the instrument of ratification by the Government of Honduras of the Convention on the Inter-American Institute of Agricultural Sciences, which was opened for signature by the American republics on January 15, 1944. The Honduran instrument of ratification is dated February 20, 1945.

Agreement Between the United States and Cuba for Purchase of Sugar and Industrial Alcohol

[Released to the press April 5]

The Department of State announced on April 5 that an agreement has been reached by the Cuban Sugar Stabilization Institute and the Commodity Credit Corporation for the latter to purchase the bulk of Cuba's 1945 sugar crop at 3.10 cents a pound, f.o.b. Cuban ports. Cuba will make available to the Commodity Credit Corporation all its 1945 sugar in excess of 400,000 tons, of which 250,000 tons have been reserved for local use in Cuba and 150,000 tons for exportation to other countries, primarily the other American republics.

In addition, the Department of State announced the conclusion of an agreement by the Foreign Economic Administration calling for the purchase of 70 million gallons of blackstrap molasses at 13.6 cents f.o.b. Cuban ports for the production of industrial alcohol. The Foreign Economic Administration is also buying substantial quantities of 190-proof industrial alcohol at 65 cents a gallon. Through the Institute, Cuban producers are contracting to ship a minimum of 20.5 million gallons

of industrial alcohol to the United States with an option to ship additional quantities estimated at about 7.5 million gallons.

Although no definitive agreement had previously been reached between the Cuban sugar industry and the Commodity Credit Corporation, Cuba has been making its sugar available to the United States for two months under a provisional arrangement, thus continuing a steady supply from the island.

Study of Organization of the Merchant Marine by Panamanian Official

[Released to the press April 7]

Señor Joel Medina, Director of the Shipping and Consular Section of the Ministry of the Treasury of the Republic of Panama, is making a study of the general organization of the Merchant Marine of the United States as a guest of the Department of State. While in the United States, he will observe in particular the systems of registration for the Merchant Marine.

The Shipping Division of the Department of State is arranging an itinerary for Señor Medina that will include various ports so that he may get a general picture of conditions. Part of his two months' visit will be spent at Washington in conference with Government agencies.

SOL BLOOM—Continued from page 623.

best insurance of success. It sometimes seems to me almost incredible that our civilization, which has produced the amazing technical developments of this century, has not had the genius to establish a world order in which this inventive skill will be used to satisfy the highest aspirations of man, rather than to maim and kill him! Yet that is the point where we now stand in history.

President Roosevelt said nearly 10 years ago that this generation of Americans had a rendezvous with destiny. Such a rendezvous with destiny will begin on the other side of this continent 15 days from now. I rejoice that at our side, in this critical hour, will be a man with the steady wisdom, the lofty ideals, and the long experience of your Representative in the Congress of the United States—the Honorable Sol Bloom,

Exportation of Powers of Attorney

Powers of attorney and certain other instruments relating to interests in estates and the maintenance, management, or sale of real estate or tangible personal property in blocked countries, when executed or issued by a person within the United States who is not a national of a blocked country, may now be sent abroad under Treasury General License No. 89, issued March 17, 1945.¹

The new General License provides that any instrument to be sent abroad contain an express stipulation (a) that the person authorized to act under it is not empowered to engage in any transaction with an enemy national as defined in Treasury General Ruling No. 11 other than exempted transactions, and (b) that authority to sell may not be exercised with respect to property located in a country not included in the United Nations if the value of the property exceeds \$5,000 or the equivalent in foreign currency.

The term "tangible personal property" as used in the new General License does not include cash, bullion, deposits, credits, securities, patents, or copyrights.

THE FOREIGN SERVICE

Confirmations

On April 5, 1945 the Senate confirmed the nomination of Fletcher Warren as American Ambassador to Nicaragua.

THE DEPARTMENT

Appointment of Officers

Alger Hiss as Director of the Office of Special Political Affairs, effective March 19, 1945.

¹10 *Federal Register* 2962.

THE CONGRESS

The Dumbarton Oaks Proposals and the League of Nations Covenant, by Herbert Wright, Professor of International Law, the Catholic University of America. S.Doc. 33, 79th Cong. II, 38 pp.

Second Quarterly Report on War Mobilization and Reconversion: Letter from the Director of Office of War Mobilization and Reconversion transmitting a copy of the Second Quarterly Report in accordance with the War Mobilization and Reconversion Act setting up his office. H.Doc. 137, 79th Cong. II, 47 pp.

PUBLICATIONS

DEPARTMENT OF STATE

Toward the Peace—Documents. Publication 2298. 40 pp. 15¢.

What About the Enemy Countries? A Radio Broadcast by the Department of State, March 24, 1945. Publication 2291. 20 pp. Free.

Armistice: Agreement Between the United States of America, the Union of Soviet Socialist Republics, and the United Kingdom and Bulgaria Together With Protocol and Related Papers—Agreement and Protocol signed at Moscow October 28, 1944; effective October 28, 1944. Executive Agreement Series 437. Publication 2305. 22 pp. 10¢.

Double Taxation: Convention and Protocol Between the United States of America and the French Republic—Signed at Paris July 25, 1939; proclaimed by the President of the United States of America January 5, 1945; effective January 1, 1945. Treaty Series 988. 27 pp. 10¢.

The Proclaimed List of Certain Blocked Nationals. Cumulative Supplement No. 2, April 6, 1945, to Revision IX of February 28, 1945. Publication 2313. 30 pp. Free.

FOREIGN COMMERCE WEEKLY

The article listed below will be found in the April 7 issue of the Department of Commerce publication entitled *Foreign Commerce Weekly*, copies of which may be obtained from the Superintendent of Documents, Government Printing Office, for 10 cents each:

"Brazil's Sugar Industry" by Hubert Maness, vice consul, American Embassy, Rio de Janeiro, and Ulrich H. Williams, formerly agricultural analyst at the American Embassy, Rio de Janeiro; now in the United States Navy.

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